

FAR EASTERN ECONOMIC REVIEW

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HONG KONG MERCHANTS AND THE BRITISH INDUSTRIES FAIR

by
E. HIMSWORTH,
Chairman, British Industries Fair Committee, Hong Kong

The Hong Kong British Industries Fair Committee has been in session for some weeks past. The Committee consists of:—Messrs. Robert Der, representing the Kowloon Chamber of Commerce; R. A. Joscelyne, representing the Hong Kong General Chamber of Commerce; Tse Yu Chuen, representing the Chinese Chamber of Commerce; and U Tat Chee, representing the Chinese Manufacturers' Union.

In addition:—Messrs. W. P. Montgomery, the U.K. Trade Commissioner; E. McD. Courtney, and H. Owen Hughes who have agreed to serve in an advisory capacity.

The Committee has distributed its first leaflets to the various organisations represented on the Committee, inviting local business houses to book space on the Hong Kong stall.

Merchants who intend to visit London are asked to state their passport requirements, the accommodation which they would want in London and any British factories which they might wish to visit.

The Committee is exploring the possibility of running a special aircraft to the United Kingdom to meet the convenience of businessmen of Hong Kong.

The object of this stall in the B.I.F., first and foremost, is to show to the world the products of Hong Kong's industry. By "industry" we mean not merely the products of the local manufacturing establishments but also the facilities and activities of the various types of commercial enterprise in our Colony.

While we take pride in the products which our factories make, and while the various objects which are made locally can easily be displayed, manufacturing is only a small part of the commercial activities of Hong Kong. Our banking, insurance, and transhipment facilities are responsible for the major portion of our national income and it is right and proper that this fact should be brought to the knowledge of merchants overseas.

In addition, Hong Kong fulfills a most vital function in the movement of commodities. Our many import and ex-

port firms are representative of Hong Kong's role in fulfilling the very necessary task of the broker in international trade. Merchants of Hong Kong have been singularly successful in bringing into contact the producer who has goods to sell and the consumer who wishes to buy, and international trade, reduced to its barest elements, is only the transition of goods from the producer to the consumer. The importance of the intermediary known as the broker, is recognised the world over, and consequently it is of great importance that local import and export firms should make known, as widely as possible, the lines they handle, the agents they represent, the markets they serve, and the producing areas to which they have access.

Hong Kong—the Far East's principal Entrepot

In addition, Hong Kong should be advertised as the major entrepot of the Far East, particularly in the West where, outside a small business circle, Hong Kong is not too well known. We have a great deal to be proud of in this Colony. We have excited the admiration of the world with the speed of our rehabilitation and the prosperity which has come to Hong Kong since the war. *We are probably the largest city in the British Colonial Empire. Our trade compared with the size of our Colony is stupendous. The import and export trade of Hong Kong in value is almost equal to that of New Zealand. It is about 50% of that of Malaya which has more than three times our population. It is greater than that of the whole of Eire. To state this is not to puff out our cheeks with conceit but it would be false modesty to hide the light of our achievements under a bushel.*

It is against a background such as this that Hong Kong business merchants should approach the B.I.F. There are merchants the world over who are looking for new trading contacts. Some of them will no doubt have heard about the reputation of

Hong Kong, and will wish to confirm that the facilities of which they have heard do, in fact, exist. They will want to know what banks they should contact; they will want to know the names and addresses of various insurance companies but, above all, they will want to make contact with individual local firms.

It should, therefore, be an essential part of the policy of any Hong Kong merchant house to spread abroad its name, and the record of its business. Most merchant houses in Hong Kong do indeed use various local periodicals for advertising but the effectiveness of the form of advertising is limited by the circulation of the periodicals in which it appears. The British Industries Fair is one of the best advertising mediums in the world available to businessmen. The B.I.F. is the rendezvous of businessmen. Men do not go there for the purpose of mere sightseeing, or to satisfy some temporary curiosity, but who wish to find new business contacts which will lead to an increase in the volume of the commodities they handle. The time, effort, and money required to put on a small exhibit at the B.I.F. is negligible compared with the potential results which may accrue from this form of advertising.

Hong Kong—expert distributor of East-West trade

It has long been the contention of economists that if all commodities produced in the world could be shared out among all the people in the world, there would still be an enormous shortage to satisfy the demands of the consumers. The great difficulty in the past has always been that commodities could never get to the hands of consumers because the distributive processes were not sufficiently well developed.

We in Hong Kong are experts in this distributive process: we have the connections and the knowledge through which we can bring the buyers and the sellers of the Far East into contact with the buyers and the sellers of America and the West. This knowledge of distribution is in effect what we have to sell, and in international trade it is worth its weight in gold. If this part of the machine of commerce does not work, or works in a haphazard way,

consumers and producers the world over suffer.

It is therefore most desirable that the commercial activities of this Colony and the particular business houses which operate in Hong Kong should be brought to the attention of the world at large. The services and trade which Hong Kong has to offer are badly needed in the outside world, and the short cut to the additional prosperity which the dissemination of that knowledge will bring is via the B.I.F.

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Organisation of Hong Kong Stall at B.I.F.

Arrangements are currently being made to organise a Hong Kong Stall at the British Industries Fair in 1949. The venture will be run at the Hong Kong end by a Hong Kong B.I.F. Committee composed of representatives of the leading commercial and industrial organisations in the Colony.

There will be two types of display space available—wall space for hanging cards, and stall space for displaying exhibits. There will be approximately 347 square feet of wall space and 240 square feet of stand space available. While final figures are not yet available it is not expected that the cost of wall space will be in excess of H.K.\$35 per square foot, and that of stand space \$100 per square foot.

In the case of Hong Kong business men wishing to visit the Fair, the Committee is prepared to facilitate passport and visa requirements, reserve accommodation in London and make arrangements for Hong Kong business men to visit British factories in which they may be interested. These facilities are available to all intending visitors whether they have booked space or not.

Since only a limited amount of space is available merchants and manufacturers are requested to fill in a form for reservation of exhibiting space and forward it to the British Industries Fair Committee. No money, passports, or other documents should be forwarded at present.

The application is no guarantee that the space requested will in fact be available.

The application form is available at the Secretaries of the B.I.F. Committee, Messrs J. W. Ferris (I. & E. Dept.), and J. B. Kite (H.K. General Chamber of Commerce). The Chairman of the Committee, the Hon. Eric Hinsworth, Superintendent I. & E. Dept., is always ready to assist local and overseas merchants with advice.

BRITISH INDUSTRIES FAIR, 1949

Venue, Dates, and Hours of Opening.

The fair will open in London at Earls Court and Olympia, and in Birmingham at Castle Bromwich, on Monday, 2nd May, at 9.30 a.m. It will close on Friday, 13th May, at 4.00 p.m.

Overseas Trade Buyers

On the advice of the Exhibitors' Advisory Committee, the B.I.F. and the Birmingham Chamber of Commerce have agreed to dispense with the charge for admission to buyers from overseas. On presenting an official invitation or business card at any entrance, the visitor will receive an overseas buyers badge which will ensure admission, free of charge, throughout the Fair.

U.K. Trade Buyers

After first payment of 2/6d. a home buyers badge will ensure admission throughout the Fair.

Special Textile Display

In 1949 the Fair will include a major display by the Textile and Clothing industries, which can be confidently expected to surpass the successful exhibit of 1947. Every opportunity should be taken to inform likely visitors to the Fair, who are interested in these industries, that this important co-ordinated demonstration by the U.K. textile industries cannot be repeated annually on so comprehensive a scale.

Catalogue

The final edition of the London and Birmingham catalogues will not be available before the opening of the Fair. Every overseas visitor will be given a copy, free of charge, on first presenting his business or invitation card at the entrance, or on obtaining his admission badge.

Attendance at the previous Fair (1948)

In comparison with the first post-war Fair of 1947 the attendance of overseas trade buyers did not fall as much as was anticipated, and total attendance was maintained high above the pre-war average. The figure of overseas visitors to Birmingham does not include those who were first recorded in London.

Fair in London.	
Overseas Buyers	12,505
Home Buyers	86,009
Public (Limited Admission)	74,734
Total	173,248
 Engineering and Hardware Section —Birmingham.	
Overseas Buyers	1,828
Home Buyers	21,288
Public	138,614
Total	161,730

Visas, Travel Concessions, and Accommodation

Free visas will again be available to B.I.F. visitors but travel concessions may not yet be possible. Detailed information will follow where concessions are secured. Visitors should generally reserve hotel accommodation through the normal agencies, and it cannot be over-emphasised that reservations should be made many weeks in advance.

Organisation of Advance Information and Publicity Overseas, 1949

Press Advertising Campaign

The campaign will consist of at least one main advertisement produced in 30 languages and 120 sizes, for repeated insertion in more than 1,000 of the most appropriate national and specialised publications of 63 territories.

Special Supplements

In the first week of January, The Times will publish a special supplement of the Fair; this will be mailed, by The Times, direct to 40,000 trade buyers in proportion according to territory. Limited supplies available to the Department will be despatched in bulk to Commercial Diplomatic Officers and Trade Commissioners and to Information Officers through the Foreign Office and Commonwealth Relations Office.

B.I.F. Symbol

It has been decided to suspend the use of the "key" symbol for the 1949 Fair, and to substitute a new design which may prove to have advantages in use. The new "gearwheel" motif will therefore be used exclusively, and line drawings of the design will be distributed to assist Officers in taking every opportunity for promoting its use.

Broadcasting

The B.B.C. will broadcast information in all overseas programmes, including a long series in the North American and Overseas wavelengths.

Films

The Shell Petroleum Co. has made a 20 minute "straight" news report of the 1948 Fair. The film, which is definitely above average for such documentaries, and is free of commercial propaganda, was released in August. It has been adopted for re-issue with commentary in a dozen languages.

THE BRITISH ECONOMIC POSITION

1. SUMMARY

There are a number of permanent features in Britain's economy. These are:—

(a) Overseas sources supply the raw materials needed by industry (the main exceptions being coal, china clay, some low-grade iron ore, some wool and some timber). Raw materials and food together represent more than three-quarters of all imports.

(b) Britain produces a little less than half the food her population requires.

(c) Consequently the export trade (including "invisible" exports which have been greatly reduced by two world wars) is of vital importance.

(d) There is an enormous preponderance of industry and trade relative to agriculture. Outstanding importance attaches to certain basic industries particularly Coal, Iron and Steel, Textile and Engineering, upon which the whole of industry and the success of the production and export drives depend. Manufactures constitute three-quarters of exports.

To these permanent features the effects of war have added others of a temporary nature. Of these the most important are:—

(a) The excessive dependence of both Britain and of other countries, from which she normally buys, upon Western Hemisphere supplies.

(b) The effect of the rising cost of primary products (which form most of Britain's imports) upon the cost of the manufactured goods which form most of her exports.

(c) The depletion of Britain's reserves of gold, dollars and dollar equivalents (which also serve other Sterling Area countries).

The paramount aims of economic policy and planning are, briefly stated, to redress the balance of payments as quickly as possible and so to conduct national investment as to provide a permanent solution of the balance of payments problem.

To secure these ends the intention is:

(a) To reduce the excessive dependence upon the Western Hemisphere as a source of supply (44% of imports in 1947), thus reducing the dollar drain.

(b) To reduce further if possible, or at least limit, imports in 1948 to 78% of 1938 volume:—(i) by encouraging greater production and the development of substitutes at home;—(ii) by increasing agricultural production by 50%, as compared with pre-war levels (20% above 1946/7 levels) by 1951.

(c) To increase exports by greater production and productivity or adjustment of export lines to a volume at least 1½ times as great as in 1938.

(d) To promote increases in the production of food, raw materials and manufactured goods in Europe and the British Commonwealth, and

(e) The development of the Sterling Area as a multilateral trading group.

2. HISTORICAL BACKGROUND

For 100 years the people of Britain, having secured a leading position as world manufacturers, merchants, carriers, bankers and investors, were able to support a rapidly increasing population (it more than doubled between 1851 and 1938) at a standard of living which steadily improved. Britain was the world's best customer as a large-scale importer of food and raw materials. The considerable excess of imports over exports was covered by income not only from the various services (shipping, banking, insurance, etc.) rendered to the world, but also from the overseas investments which had resulted from the "ploughing back" of trading profits during the nineteenth century and the early years of the twentieth century in the form of railway and development loans in many parts of the world.

Furthermore the terms of trade (i.e. the relationship between the general level of prices for which British exports can be sold in world markets and the general level of prices Britain is obliged to pay for imports) had for fifty years up to 1930 moved steadily in Britain's favour. For example, taking as 100 the volume of exports required to purchase a given volume of imports in the years 1891-5, the volume required in the years 1931-5 was only 51—the most favourable position ever attained.

But even before the First World War Britain's share of world trade was dropping, (though this was disguised by the fact that its total was increasing) particularly as far as exports were concerned; but invisible exports were still more than adequate to produce an overall favourable balance of payments.

By 1935, however, the first signs of unfavourable balance of overseas payments were to be noted and in 1938 8% of imports had to be covered by the sale of assets. (see Table I).

This unfavourable change was due to a combination of the effects of certain long-term trends:

(i) There was increasing competition from newer industrial countries, particularly U.S.A., Germany and Japan. Britain's share of world exports of manufactures which was two-fifths in the late 1870's, dropped from one-quarter in 1913 to under one-fifth in 1936-8;

(ii) Britain's pioneer industries, the foundations of her industrial power and wealth, especially coal, steel and cotton, were falling behind in their contribution to exports and were in need of re-equipment. Coal exports dropped from 73 to 40 million tons between 1913 and 1937, iron and steel from 5 to 2.6 million tons and the contribution of Coal and Textiles to exports reckoned as a percentage by value of total exports of U.K. manufacturers and produce fell as follows:

	1913	1937	1947
Coal	10%	7%	0%
Textiles	38%	26%	11%
Total	48%	33%	11%

(iii) Primary producing countries were tending to encourage the establishment of manufacturing industries. These changes were intensified by the First World War.

The problem was further aggravated after the Second World War in a number of ways:

(i) The acute world shortage of food and raw materials has made the obtaining of supplies difficult and the prices to be paid for them higher. Furthermore the balance of payments problem which, in consequence, has confronted many countries has had to be solved in many cases by buying fewer manufactured goods. The unfavourable change in the terms of trade since the very favourable position reached in 1931-5 has been serious for a net importer like Britain. What this meant can be illustrated by

Table I
THE UNITED KINGDOM BALANCE OF PAYMENTS

	Pre-1914	Estimated (£ Annual millions)	1946	1947
	Average	1938		
Total payments for imports	—610	—835	—1,092	—1,540
Receipts from exports and re-exports	474	533	890	1,102
Balance of trade in goods	—136	—302	—202	—438
Income from overseas investments, shipping, banking services, etc.	?	405	399	375
Payments of interest abroad, shipping, tourists, etc.	?	—157	—276	—360
Net Government expenditure overseas	?	—16	—291	—207
Balance of "invisible" items	+270	+232	—168	—192
	+134	—70	—370	—630

taking as 100 the volume of exports required to purchase an average volume of imports in 1938. On this basis 115 would be the volume of exports needed in 1947 and 120 in the first quarter of 1948. In other words more to be exported to get the same amount in terms of imports. Table 2 shows the change based on 1947=100:

Table 2

TERMS OF TRADE

Year	— 1947 = 100 —		June
	1938	1947	
Import prices	39	100	117
(c.i.f.)			
Export prices	45	100	109
(f.o.b.)			
Terms of trade ..	87	100	107

Since neither the average value index nor the price index is ideal for measuring changes in the terms of trade both over long periods of time and from month to month, the import and export index numbers shown here are the result of combining the two. This gives a measure of the adverse movement in the terms of trade between 1938 and 1947 and from month to month thereafter.

A rise in the figures for terms of trade indicates an adverse movement.

(ii) Excessive dependence on the Western Hemisphere, unravaged by war, as a source of supply for manufactured goods as well as food and raw material has produced in the world an acute dollar shortage which has further aggravated the balance of payments problem. Many countries, especially in Europe, not only temporarily ceased to be able to sell essential goods to Britain but themselves sought to make up their deficiencies from the Western Hemisphere. (In 1947 44% of British imports came from the Western Hemisphere as against only 31% in 1938, while exports to the Western Hemisphere had dropped in the same period from 17½% to 15%). The rest of the Sterling Area was also running a heavy dollar deficit.

(iii) The loss of investments (over £1,000 million were sold during the war) and the accumulation of new sterling debts to the amount of over £3,000 million meant that net earnings from investments in 1947 covered only 5% of imports compared with 21% in 1938.

(iv) The loss of ships during the war (half the pre-war merchant fleet) meant not only diversion of materials and labour to their replacement which has taken and will take time, but also a reduced excess of receipts over payment for shipping services.

(v) Overseas commitments particularly in Germany and the Middle East meant the diversion of foreign currency from imports. Expenditure in 1947 amounted to £207 millions compared with only £16 millions in 1938.

The deficit of £630 millions in 1947 was covered by dollars lent to Britain by U.S.A. and Canada and the sale of gold and overseas assets.

By the end of 1947 nearly the whole of the loans had been exhausted and gold and dollar reserves (which also covered the needs of the whole Sterling Area) were down to danger level. To meet this situation imports were cut to austerity levels, food purchases in U.S.A. were almost wholly eliminated, steps were taken to divert purchases to non-dollar sources of supply

and the export and production drives were relentlessly pursued.

The main effect of the Second World War was to concentrate into a period of a few difficult years the many necessary adjustments (e.g. the development of new export lines) and extensive re-organisations (e.g. re-equipment) which otherwise might have been carried out gradually over a period of years. This process was seriously impeded by the necessity of taking account of inflationary pressure (which affected Britain no less than other countries) in planning the re-equipment of industry and making reductions in the capital investment programme. The results achieved in making the necessary adjustments have reflected the comparative success of Britain's anti-inflationary measures.

Table 4
PRINCIPAL GROUPS OF IMPORTS & EXPORTS, 1938, 1946, 1947

(a) Imports:

The following table (based on declared values) shows that the pattern of import trade changed considerably in 1947 and that compared with 1948, food, drink and tobacco and manufactured articles represented a smaller share of the total while raw materials increased in relative importance.

Class	Per cent. of total value		
	1938	1946	1947
Food, drink and tobacco	46.8	49.0	45.1
Raw materials and articles mainly unmanufactured	27.0	30.0	31.3
Articles wholly or mainly manufactured	25.4	18.9	22.3

(b) Exports

The table below shows the contribution to the total value in 1938, 1946 and 1947 of the most important individual groups, figures being given for any group which in any of the three years amounted to 4 per cent. of the total. Apart from the increases for the various metal groups, with the exception of iron and steel, the most important feature is the virtual elimination in 1947 of exports of coal, following the great reduction in 1946.

Description	Per cent. of Total Value			Order of Importance		
	1938	1946	1947	1938	1946	1947
Machinery	12.3	12.5	15.9	1	2	1
Vehicles (including locomotives, ships and aircraft)	9.5	12.6	14.8	3	1	2
Iron and steel and manufacture thereof	8.9	8.7	7.4	4	3	4
Cotton yarns and manufactures	10.6	6.9	6.8	2	8	6
Miscellaneous articles wholly or mainly manufactured	6.1	6.2	6.0	7	9	8
Chemicals, drugs, dyes and colours ..	4.7	7.2	5.9	10	6	9
Woollen & worsted yarns & manufactures	5.7	4.8	5.1	8	10	10
Electrical goods and apparatus	2.9	4.1	4.3	12	11	11
Coal	7.9	1.0	0.2	5	12	12
Other metals	4.4	7.1	6.7	11	7	7
Other textiles	5.2	8.7	7.9	9	4	3
Other manufactures	7.3	7.5	7.0	6	5	5

Table 5
IMPORTS AND EXPORTS OF THE UNITED KINGDOM 1938, 1946 and 1948

Year	By Value (£ millions)		By Volume (1938=100)	
	Imports	Exports	Imports	Exports
1938	919.5	470.8	100.0	100.0
1946	1301.0	914.7	67	99.3
1947	1787.5	1137.1	75	108.6
1948 1st Qtr.	487.5	353.4	78	125.6
2nd Qtr.	538.3	390.1	78	134.3

Table 3

DISTRIBUTION OF BALANCE OF PAYMENTS DEFICIT 1946-8

	1946	1947	1948		
			First six months	Annual Rate	
Western Hemisphere	-360	-670	-195	-390	
Sterling Area	-30	+ 85	+ 70	+140	
O.E.C. Countries	+ 45	- 30	+ 40	+ 80	
Rest of the World	- 25	- 15	- 55	-110	
Total	-370	-630	-140	-280	

3. THE ECONOMIC SITUATION IN 1948

External Aspects

The first half of 1948 showed an improvement in that:—

(i) the measures taken in Britain and the rest of the Sterling Area were beginning to show encouraging results in reducing the payments gap;

(ii) a respite was granted as a result of the aid forthcoming under the European Co-operation Act from the U.S.A. and

(iii) measures for European co-operation were being pressed forward under O.E.E.C.

Nevertheless, the problem of closing the gap remained, aggravated by a further adverse trend in the terms of trade, and by signs that the sellers' market was coming to an end and that exports would have to meet increasing competition in which the question of price for quality would become a progressively important factor.

The Economic Plan's targets for 1948 and the actual results in the first six months were:—

(i) Imports during the first six months at 76% of 1938 volume. Of the total, 34% (44% in 1947) was to come from Western Hemisphere.

The actual figures for the first two quarters of 1948 showed imports of 78% of 1938 volume. Prices, however, continued to rise, and expenditure on imports for the first half of 1948 was £887 million against the forecast of £792 million, though Western Hemisphere imports were only £27 million above the forecast, representing 34.3% of total imports.

(ii) Exports at the average rate of 125% of 1938 volume in the first half of 1948, at a monthly rate of 150% at the end of the year and at an average rate of 130% for the year as a whole. The most striking individual increases planned for 1948 were cutlery, hardware and instruments (213% of 1938), machinery (206%), vehicles (255%), electrical goods and apparatus (252%), rayon and silk (245%), pottery, glass and abrasives (223%).

Actual exports by volume in the first half of 1948 were at an average of 130% of 1938, 5% beyond the target, and continued the steady rise since 1946. In the second quarter they stood at 134% of 1938 volume and in the month of July reached 149%. Exports by value for the first half of the year were £26 million above forecast. Exports of iron and steel, machinery, vehicles, pottery, cutlery, hardware and instruments, electrical goods and rayon were all shaping particularly well. Coal exports were struggling to reach the target and textiles, though behind, were beginning to make up leeway.

(iii) A total overall deficit of £136 million—a deficit of £183 million with the Western Hemisphere offset by a favourable balance of £47 million with the rest of the world.

Actual figures in the first six months showed a deficit of £140 million, only £4 million above the forecast; calculated at the annual rate this amounted to a reduction of about 55% in the 1947 deficit. A most important contribution was made to this

encouraging result by invisible exports which, against a deficit of £192 million in 1947, yielded a surplus of £16 million in the first half of 1948. The deficit with the Western Hemisphere was £195 million (only £12 million above forecast), which, at the annual rate, was equivalent to a reduction of £280 million from the 1947 figure.

(iv) A reduction of resources of gold and dollars by £222 million (allowing for the rest of the Sterling Area).

The actual reduction, owing to the continuation of an unfavourable trend in prices and the terms of trade, amounted to £254 million (£147 million in the first quarter and £107 million in the second—a reduction of 25%). These figures make no allowance for E.R.P. assistance. Including E.R.P. assistance the reserves at mid-1948 stood at £473 million, the object of policy being to retain them at a figure around £500 million.

Internal Aspects

Turning to the internal side of the economic picture the main need is for increased production both in the basic industries (coal, iron and steel, inland transport, electricity and agriculture) and those in the foreground of the export drive (coal, iron and steel, textiles, engineering, vehicles and pottery).

Production targets and actual half-year results in these key industries may be summarised as follows:—

(i) Coal. 1948 production target 211 million tons. Mid-year total (week ending 3rd July) 106.1 million tons.

1948 export target 16 million tons. Mid-year total 6.9 million tons.

1948 manpower target: 750,000. Mid-year total: 725,000.

(ii) Steel. 1948 production target 14½ million tons. Mid-year total 7.56 million tons.

Production in the first and second quarters of 1948 was at the annual rate of 14.9 and 15.3 million tons respectively.

(iii) Textiles.

(a) Cotton: 1948 production target is an annual production of 1,000 million lbs. Mid-year total was 439 million lbs. (i.e. an annual rate of 978 million lbs. compared with 740 million lbs. in 1947). This represents an average weekly rate of 17.3 million lbs. with an end 1948 weekly target rate of 20 million lbs; the actual weekly rate for the first half of the year was approximately 17 million lbs.

1948 manpower target is 325,000; the actual mid-year figure was 274,900.

(b) Wool: Worsted Yarn (wool content) 1948 production target is a monthly rate for the year of 16 million lbs. In the first half of the year the average monthly rate was 15.1 million lbs.

Fabrics (excluding blankets): 1948 production target is an average monthly rate of 24 million linear yards per month; in the first half of 1948 the average monthly rate was 21.7 million linear yards.

1948 manpower target is 200,000; the actual mid-year figure was 179,100.

(c) Rayon: 1948 production target is an average monthly rate for the year of 21.3 million lbs (staple fibre

and continuous filament yarn). In the first half of the year the monthly rate averaged 19.8 million lbs.

(iv) Agriculture

	Acres (in thousands)	Actual	Target
Production:—		1947	1948
Breadgrains	2,207	2,595	
Other grains	5,888	6,050	
Potatoes	1,332	1,423	
Sugar beet	396	400	
Linseed	40	150	
Manpower:—	Actual	Target	
End 1947	1,055,000	1,085,000	1,110,000

Industrial production in the first half of 1948 was running at a level between one-fifth and one quarter higher than in 1946.

4. THE LONG-TERM PROGRAMME

The long-term objective is to get overseas trade into balance by the time the assistance of E.R.P. ends in 1952, on the basis of the highest practicable standard of living.

This can be achieved in three ways:—

(i) Balance at the level justified by mid-1948 exports (without E.R.P. aid) i.e. at a level lower than existing austere standards involving cuts in raw materials and food imports with serious effects on production, exports and the policy of full employment. This must be ruled out.

(ii) Balance at present austerity standards, i.e. paying for imports with current earnings (without E.R.P. aid). This means exporting half as much again of volume as in 1938, (the end 1948 target figure). A great effort will be required to achieve this result.

(iii) Balance at a level justifying an improved standard of living. This would mean exporting nearly double the volume of exports of 1938, or substituting for manufactured imports a greater proportion of home-produced goods. A very great increase in production and, more important, of productivity, would be required to make this possible.

While the third alternative remains the future aim, the second is the immediate objective. The main factors outside Britain's control which will govern the success or failure of this policy are changes in the terms of trade and the assurance of the continuation of E.R.P. aid until 1952.

The main methods to be employed to achieve the desired balance are:—

(i) Increased exports, particularly to dollar countries, (relying on Britain's main asset—prestige based on high quality and workmanship, and good design) and

(ii) decreased imports from the Western Hemisphere.

(iii) increased production at home:—(a) of things at present imported, particularly from hard currency countries; (b) of import substitutes; (c) for export;

(iv) co-operation with European countries (e.g. by export of coal, steel, machinery, and agricultural equipment) to help build up their production of the

BRITISH EXPORT RECORDS

Further Improvement in Production

(By a London Correspondent)

United Kingdom exports during July reached the highest value ever recorded, being £151,900,000. In volume, they were the highest since July, 1929, and 149 per cent. of the average monthly value in 1938.

Machinery and vehicles are still the leading main export groups. Machinery exports in July set up new records both for quantity and for value, and vehicle exports also rose, the United States, Canada, and Belgium—three hard currency countries being the leading markets for British motor cars. Exports of cotton manufacturers in July were 29 per cent. greater than in June, and their value, at £13 million, was the highest attained since 1929.

The volume of British exports in the period January-June, 1948, exceeded the official objective as fixed in the Government's "Economic Survey", and an analysis of six months' trading shows what steady progress has been made in Britain's export drive, besides giving some indication

goods Britain and Europe need from hard currency countries (e.g., timber, feeding-stuffs, pig and dairy produce, special machinery, aluminium). Britain is similarly making major contributions in the Organisation for European Economic Co-operation and in helping to iron out trade and currency difficulties;

(v) development of production in the Commonwealth countries, colonies and other overseas sources of foodstuffs and raw materials for the supply of which at present there is dependence on hard currency countries.

The implications of the plan throw into relief the vital importance of four industries:—

(i) Coal to provide fuel and power for all industry; coal exports to assist European recovery and to balance essential imports.

(ii) Steel and Engineering to provide for increases in Britain's own productive power, and exports to dollar countries and many other markets and to support European and colonial recovery and development.

(iii) Textiles to provide hard and soft currency exports, and exports to stimulate colonial development and supply the home market.

(iv) Agriculture to provide more food from Britain's own soil and raw materials for industry.

These industries all require increased manpower which must be found by drawing-off labour from less vitally important industries.

Productivity can be increased by re-equipment, redeployment of manpower, improved management technique, and by giving full play to inventive genius.

Increased capital investment will require national savings.

Restraint will be necessary both in consumption to reduce imports to a minimum and increase exports to a maximum, and also in wage demands and the distribution of profits in order to avoid inflation and rising prices.

of the trend of the country's trade. Import prices have risen to a far greater extent than export prices, yet the total external trade deficit in the half-year, equivalent to an annual rate of about £400 million, is a great improvement on the 1947 deficit of £675 million.

All the evidence shows that the general balance-of-payments position is being favourably influenced by the export efforts of recent months.

Trade Trends

If larger supplies of raw materials were obtainable from the sterling area, Britain's dependence on the dollar area for many of her imports would be greatly reduced. But it is on an expansion of her exports to the dollar area that Britain, for the present, must chiefly rely to reduce the dollar gap in her foreign trade turnover. Considerable progress has already been made in this direction. Thus, the value of British exports to the Western Hemisphere in the first half of this year was £125 million, compared with £92 million in the corresponding period of 1947, and it was with Canada and Latin American countries that the increase was the greatest. The more important increases in British exports to the United States were in vehicles, which were four times as great as those for the January-June periods of 1948 and 1947; in machinery, which was three times as great; and in wool manufactures, which were more than doubled. Great attention is now being given by British manufacturers and exporters to improved design and better salesmanship, and British exports to the Western Hemisphere are expected to expand still further.

As regards imports, the Western Hemisphere supplied over 45 per cent. of Britain's total imports in 1947, as against 33 per cent. in 1938; but for the first six months of 1948 the figure had been reduced to 34 per cent., compared with 1947, this reduction, however, being mainly in goods imported direct from the United States.

British Craftsmanship

The Machine Tool and Engineering Exhibition, which opened at Olympia, London, on August 26, is important, not merely because it is the first of its kind that has been held for 14 years, but because in the intervening period Britain's machine-tool industry has greatly extended the variety of its products. This applies particularly to its ability to provide the high-speed machines for single processes that modern industry demands. In 1947, nearly 40,000 metal-working machine tools, of a value of some £26 million, were made in Britain, and it is noteworthy that this industry is exporting as much as 60 per cent. of its output. Production this year is running at an annual rate of well over £30 million, and the work-

ing capacity of the finished product has improved in proportion to the increasing number of special-purpose tools that are being made.

As the Exhibition demonstrated, British machine-tool technology has made tremendous strides during the past decade. This is mainly due to individual craftsmanship, for though increased industrial mechanisation has largely displaced the skilled artisan of bygone days, the modern power-driven machine tools has called into existence a new class of operators of equally high skill. And in that kind of personal professional skill the British have always been pre-eminent among nations.

Some Export Results

The radio industry was among those recently mentioned by Mr. Douglas Jay, Economic Secretary to the Treasury, as having raised its production to "all-time record levels". The export results obtained by this industry are equally remarkable. There has been an unprecedented demand in foreign markets for British communications equipment, components, and valves, and as a consequence British radio exports, during the first six months of 1948, reached a total value of £6,300,000. This is a record figure (£600,000 above the corresponding figure for 1947), and export values are likely to rise still further, once the manufacture of television equipment for the home market goes into mass production.

Among the "raw material" industries whose products have always had a ready sale in foreign markets, though their primary market is at home, are coal and cement. Both of them are gradually regaining their position in overseas markets. Coal export figures for July were the highest this year, the total for the month being more than 1,600,000 tons. As regards cement, though the home demand is unabated, it is not expected to prejudice the attainment of the export objective for 1948. This was put at 1,200,000 tons, representing £6,500,000 on a c.i.f. basis. South America has long been a good customer for British cement, and the Argentine, which by exception was not formerly a customer, is now taking large quantities of British cement.

THE FUTURE OF SHANGHAI

The American-owned Shanghai Evening Post re-echoes in the following article opinions expressed by many Chinese and foreign business men of Shanghai.

In view of the obvious instability of the situation, a number of friends both foreign and Chinese have raised once more the thought that Shanghai might well be declared an open port or an international city. The precise scheme is open to discussion but the general idea is clear enough — to make this great, thronged super-village a place of refuge once more, rather than a potential atom bomb. To make it such, runs the argument, would be to render

Shanghai a constructive force in an otherwise crumbling state of affairs.

There is no sound argument against this in our view. Irrespective of Chinese factionalism, no Chinese can deny that millions of Chinese are in jeopardy minute by minute in Shanghai today—not because of purely political considerations, but because of the chance that local authority might break down under stress.

Certainly neither the United States, nor Great Britain, nor any other foreign country will take the first move toward bringing about what we have in mind as a possibility. If there is to be great danger here, the most that any foreign nation can do of its own accord is to try to safeguard the lives (and if possible, but not at all necessarily the property) of its own nationals. That implies a gradual pull-out of foreigners and their personal effects, a dismal process without value to anyone except as it may save the individuals concerned from greater trouble later. There are endless complications and frustrations about any such process, likely in any event to be incomplete and possibly including a spot of ultimate tragedy.

It would seem to us much better that some responsible Chinese, whether as individuals or groups, officials or private organizations, make publicly known that due to the obvious crisis they would welcome foreign co-operation to maintain the historic position of Shanghai as an island of haven in the midst of turmoil. It would be clear that they spoke only on behalf of some emergency arrangement, so calculated as in no way to infringe the principle of Chinese sovereignty or in any way to bring back a position of even semi-permanent outside control.

Under other conditions it might be taken for granted that any such proposal would raise a storm of protest from certain Chinese quarters. This protest would be based on the theory that we were advocating a thinly disguised return to extraterritoriality. Two things may be brought forward against any such notion: First, the nature of the emergency, which we think is now realized by everyone of every nationality, and second the point that extraterritoriality was relinquished not under duress but voluntarily and there is no reason whatever to doubt the full good faith of those who relinquished it.

Therefore we would welcome the appearance of a movement in the direction we have indicated. It might mean the salvation of Shanghai from some extremely destructive events. But the whole matter lies almost exclusively in Chinese hands. Only Chinese can properly start such a movement, and even though they start it, there is no certainty that foreign Powers will wish to embroil themselves in an extremely difficult position. But if Chinese of responsibility do start such a movement we would strongly urge that it be headed thoughtfully by Washington and London in particular. Shanghai might provide the last chance for peace, order and a foothold for democracy in central China, for a good while to come.

APPRAISAL OF THE SITUATION IN CHINA TODAY

We learn from an authoritative source the following:—"Reports from Shanghai and Nanking are pessimistic as to the fate of the present Nanking Government in the near future. The general feeling in Chinese as well as in foreign circles is that the Government in its present form in Nanking may last three weeks or three months but not more.

"In the circles of Government and Government banks it is difficult to find responsible officials as many of them are absent on a plea of illness mostly of a diplomatic nature. There is no confidence whatsoever in the Gold Yuan currency and supplies from the outlying districts in the country are being held up as farmers and suppliers generally are unwilling to part with their commodities without something substantial in exchange. It is generally felt that if foreign currencies were allowed freely to circulate the position would be immediately relieved as rice and other commodities would then again flow into the markets. The difficulty is that there is no one who has sufficient authority or sufficient courage to give the word and to effect the change.

"There is a universal feeling that the one man who could remedy the situation in Shanghai and Nanking at the moment is Mr. T. V. Soong.

"It is regarded that the Generalissimo Chiang Kai-shek is determined to

make no peace with the Communists or to retire himself from the conflict. He may be right in the long run. It is impossible to see how the National Government of China could enter into any partnership for the Government of the country with any party especially an armed party which the Chairman of the Communist Party Mao Tse-tung in his recent speech declared was bound to Soviet Russia. The lion and the wolf cannot lie down together.

"Although the feeling of the people in Manchuria after the fall of Mukden is strongly against Russian influence and still Nationalistic it is impossible to overlook the general technique of Russia after the war in developing frontier buffers such as that now developed in Manchuria into which may be injected the same ideological serum as that which has been so successfully injected into the Soviet satellites in Europe.

"The general anticipation is that Chiang Kai-shek will retire as he did before the Japanese advance in 1938 and may take with himself his loyal troops, departments of the Government and all the assets of the Government Banks to the interior, possibly Chungking, with a view afterwards to running south in the direction of Canton where in the last year Mr. T. V. Soong has been consolidating the one part of China comparatively free from Communist influence with a view to such emergency as has now arisen."

THE SITUATION IN TAIWAN

After the latest reverses of the Nationalist Government of China and the continued defections of troops and high army commanders, the military situation in North China has undergone a serious change; the evacuation of the capital is considered and removal of the Government from Nanking to another city is openly discussed. While Canton may be chosen ultimately as the centre for the Government provided that no armistice can be arranged meanwhile there are also reliable reports which state that Taiwan is to be developed into the principal military base of the Kuomintang.

Already the Island is the venue for the training of large numbers of conscript soldiers who, after the necessary rudiments of fighting have been imparted to these men, are being transported, by air and ship, to the mainland for putting up a fight against the Communist controlled People's Liberation Army. Taiwan is also a major supply base as U.S. war equipment and munitions are, to a large extent, unloaded and stored on the Island.

The people of Taiwan are increasingly vocal in their denunciation of the waging of the civil war; they see the ravages suffered by the people on the mainland and they are still feeling the bad effects of the depredations of the first Chinese authorities who entered and subsequently despoiled Taiwan 2½ months after Japan's surrender.

A number of political movements, in Taiwan, China and abroad, have increased their various forms of propaganda which either aim at full independence of the Island, or the firm establishment of autonomy of the Taiwanese within the Chinese Republic. The Nanking plan of building up Taiwan as one of its principal bastions in the civil war is most repugnant to the people of Taiwan and forms another and very potent reason why the separatist and autonomy movements are gaining support.

The Communist Party is strongly opposed to any separatist movement and accuses the U.S. Government of aiding and abetting this scheme although the reasons usually given as justifying such alleged American political strategy are neither borne out by facts nor do they sound logical to the unbiased observer. The several political organisations of Taiwanese who seek emancipation from Nanking meet with hostility from the Communist side and as regards the Kuomintang separatists are treated as "Reds"—the common denominator for all and sundry who do not back up the present regime of Nanking, and including also the capitalists who did not surrender their gold and foreign exchange holdings at the "official" conversion rate.

However, the popular support for at least unquestionable autonomy is growing and foreign governments as well as

the United Nations have already studied this development as it appears from all accounts that the majority of the Taiwanese disapprove of the present position which has turned out detrimental to the interests and the well-being of the people.

In a review of the current situation and the future outlook of Taiwan the monthly publication of the Royal Institute of International Affairs, London, "World Today", described the bad rule suffered by the Taiwanese at the hands of the Nanking civil and military authorities as follows:—

The return of Chinese rule

On 25 October 1945 the Chinese Government General of Taiwan under the leadership of General Chen Yi, former Governor of Fukien, was inaugurated in Taihoku, which reverted to its Chinese name of Taipei. The Formosans greeted the re-establishment of Chinese rule with enthusiasm, but within sixteen months the policies of the new regime led them to revolt. The general attitude of the new administration was to consider Formosa a conquered province and its inhabitants a subjugated people. The Government General was autocratic; Formosans had no voice in it and held no important public office; equal justice under the law did not exist; inefficiency and corruption reigned among the mainland rulers. On the economic side of the ledger the standard of living fell; the wealth of the island was being drained to the mainland; inflation grew by leaps and bounds; roads were not repaired; and the number of unemployed rose. At the same time health and sanitation standards fell as cholera and smallpox spread; the educational standard of the schools went down and public morale deteriorated. Formosans bitterly pointed to Hainan as an example of what the future held for them, and sarcastically quoted the proverb that the son should not be richer than the father.

The economic policy of the mainland Chinese was a basic cause of unrest among the Formosans. A source of great wealth lay in the confiscated Japanese enterprises, which were taken over not by the Formosans but by the mainlanders. The programme called for the organization of the enterprises into forty-six official or semi-official companies, thirty-six of them under the Formosan Government General, seven under the joint management of the Central Government in Nanking and the Formosan Government General, and three under the sole control of the Central Government. Aluminium manufacturing, petroleum refining, and gold and copper mining were reserved for Nanking. At least 90 per cent of all the industry and agriculture of the island was controlled by some branch of the Government in one way or another. For example, the Taiwan Tea Corporation, a Government organization, was created from a number of Japanese tea firms with the aim of acquiring a virtual monopoly of the island's tea industry at the expense of several smaller tea companies. The

Taiwan Trading Bureau, organized to control all exports and imports, created agencies to buy goods at its own rates and to ship them to profitable destinations. The Monopoly Bureau of the Government General continued the control of matches, alcohol, camphor, and tobacco, which had existed under the Japanese. Private and free enterprise in the island restricted by the Japanese was disappearing under the Chinese.

Revolt and Massacre

Then followed the "incident of February 28, 1947" which led to a large-scale civil revolt which was only suppressed by a shocking and wanton massacre perpetrated by the Chinese soldiery; men, women and children were indiscriminately killed and tortured and maimed. The horrors of this short-lived revolt in Taiwan eventually brought into existence some reforms which were described by "World Today" as follows:—

In May 1947 the Taiwan Provincial Government replaced the Government General, and Formosa became one of the thirty-five provinces of China. Dr. Wei Tao-ming, former Chinese Ambassador to the United States, replaced General Chen Yi as the leading official and Governor of the island. Most of the mainland leaders of the Government General were replaced by new officials, some of them Formosans. Dr. Wei Tao-ming was given power over the armed forces; the curfew was lifted; the military control of communications ended; censorship officially terminated, and the formal end of pacification was announced. The Taiwan Provincial Commission under Dr. Wei now consists of fourteen members, half of whom were born in Formosa, with mainland experience. Four departments were organized—civil affairs, finance, education, and reconstruction, and five provincial administrations set up—social affairs, agriculture and forestry, health, police, and communications.

Dr. Wei announced in a radio address on 31 May that he favoured the promotion of free economic enterprise and that he would take steps to implement his belief. The Monopoly Bureau was abolished; the Tobacco and Liquor Bureau was created; the Match Company was opened to private capital; the Camphor Compin' was placed under the Department of Reconstruction; and the monopoly regulations were revised. The Taiwan Trading Bureau was abolished and a Material Supply Adjustment Committee was inaugurated. A number of Government enterprises were opened to private operation and investment. Mining and industrial concerns formerly jointly operated by the Government and the people were turned over to the sole control of the latter. Measures were also taken to relieve unemployment. The Governor was given the power to regulate the exchange rate between Formosan yen and Chinese national currency, and he did so on a number of occasions in favour of the former.

There is little doubt that Dr. Wei is making a vigorous effort to gain the confidence of the Formosans, whose

general attitude on the whole is to wait and see what will happen. Most foreigners on the island are inclined to believe that considerable time must elapse before the new regime can be fairly evaluated. The new administration is, however, being given an opportunity to redress the mistakes of the old.

The future of the island

One of the most controversial though least-mentioned issues with regard to Formosa relates to the disposal of the island in the coming peace treaty with Japan. Mainland Chinese are unanimous in their desire to see it restored to the sovereignty of China, but a large number of Formosans and many of the foreign residents question the wisdom of such a step. Past experience of Chinese rule, which lasted from 1683 until 1895, does not suggest that its return would be in the best interests of the island or of its inhabitants. Until the peace treaty with Japan is signed and ratified sovereignty over Formosa resides with Japan, and the present Chinese administration is de facto, based on the Cairo and Potsdam declarations.

If the Formosans were in a position today to decide their own future what would they do? Many of the foreign residents who have been there for a long time and can speak fluently the principal language of the people are convinced that they would seek a trusteeship under the United Nations, with the United States as the principal trustee. After the termination of the trusteeship these foreigners believe the Formosans would welcome an affiliation with China provided the Chinese had meanwhile put their own house in order. In the event that a stable China did not emerge they would prefer to be independent. The appointment of Governor Wei Tao-ming by President Chiang Kai-shek has given mainland Chinese a new opportunity to win the support of the Formosans. Both the welfare of the inhabitants themselves and the security of the Western Pacific require a prosperous and a peaceful Formosa.

AMERICAN INVESTMENTS IN TAIWAN

Considering the relative security of Taiwan as more inducive to investments by private enterprise, two U.S. companies have interested themselves, in the post-war period, in the economic rehabilitation of Taiwan. The first investment was made by the Reynolds Metal Corp. Capital and American equipment as well as technicians were pooled by the American corporation with the Chinese Government in order to increase the output of aluminium.

The second U.S. investment, contracted last April, was made in the form of a loan granted by the American electrical concern of Westinghouse to the Taiwan Power Co., a state (Provincial) enterprise. This loan, incidentally, was the first private loan granted to

TAIWAN RAILWAY'S CONDITION

(By L. F. CRAIG, American Consulate General, Taipei, Taiwan)

The railway of Taiwan had an early start. In 1886, when most people in China proper were still ignorant of the importance of rail transport, the first railway in Taiwan was built between Taipei and Keelung. It took 2 years to complete this line. Seven years later it was extended to Hsinchu, a distance of 102 kilometers. Financial difficulties halted further construction.

As soon as the Japanese came to this island (1895) they started a gigantic railway construction program both for the necessity of military operations and for the exploitation of the natural resources. The main line was first extended from Hsinchu to Kaohsuing, a distance of 408.5 kilometers. This main line, connecting the port of Keelung, the gateway of north Taiwan, to the port of Kaohsuing, the entrance of south Taiwan, forms the backbone of the island. Most of the principal cities and producing centers are centered along this line. As the volume of traffic increased, several sections were double-tracked. A number of branches extend from the main line. All these constitute the network of the Taiwan Railway.

a Chinese company since the end of the war and it remained, so far, the only case of its kind.

The loan covers a sum of US\$2,000,000 which will be used for purchase of equipment manufactured by Westinghouse. The loan guaranteed by the Central Bank of China and the Bank of China is repayable in two years. An agreement covering the loan was signed in Shanghai on April 1.

The Taiwan Power Co. had been seeking a US\$12,700,000 loan from the Import-Export Bank and commercial and industrial firms for the rehabilitation of the power industry of Taiwan. The US\$2,000,000 loan from Westinghouse is sufficient only for the purchase of materials required for one of the several power plants in Taiwan, in Jihjutan. If the other three large plants are to be developed, a considerably larger sum is required.

Power production in Taiwan is inadequate to meet the consumption demand of the province. Machineries in the Jihjutan power plant require extensive repairs. Taiwan's power supply falls short of what is required. Supply from Jihjutan amounts to only 125,000 kilowatts. In order to increase the supply of power, it is necessary to develop the other three power plants namely Wulai, Wuhsueh, and Tienlungh plants located in various parts of the province. This undertaking would take at least three years and incur an expenditure of approximately US\$7,000,000. After the completion of the undertaking the province may have an additional supply of 120,000 kilowatts.

The total length of the Taiwan Railway, which is under provincial control, is approximately 1,000 kilometers of privately owned railways, most of them owned by the Taiwan Sugar Corporation. Because of the terrain and other considerations, Taiwan railways have an assortment of gages, ranging from 2'6" to 2'0". Taiwan also owns locomotives and cars of various types—making repair and replacement difficult.

During World War II, the Taiwan (Provincial) Railway was left to its own devices. The Japanese in their haste to control the South Pacific neglected this railway both because of their preoccupation elsewhere and because of Allied bombing of Japanese shipping. Hence at the time of surrender the railway was in a sad plight. The railway man who took over the railway in November 1945 had an insuperably difficult task; they were even warned by the Japanese executives that, unless replacement materials were soon obtained, the Taiwan (Provincial) Railway would collapse within 6 months. They, however, did not count upon the makeshift methods which their successors would—as a matter of fact were forced to—adopt to keep transportation going. Several months ago the first and only shipment of replacements worth US\$200,000 arrived. Recently, approximately US\$250,000 was allotted to this railway for additional materials—all spare parts. It should be mentioned that the railway thus far has not failed, despite its poor condition, to meet the normal traffic requirements of the island. Passenger trains at the present time are running on schedule.

Out of a total length of 917 kilometers, the western lines have 741 kilometers and the eastern lines 176. The gage of the western lines is 1.067 meters (3'6") while that of the eastern lines is 0.762 meter (2'6"). Weight of the rails varies slightly. The rails of the western lines are 37-kilogram, those on the eastern lines 12-30 kilogram, and branch lines 30-kilogram. About 60 kilometers of wornout rails are in need of replacement.

Fifty percent of the ties (1,000,000 pieces) are in very bad shape and should be replaced immediately.

The 1,250 railway bridges within the country have a Cooper's rating of E15-40. The total length of the bridges is 33,000 meters, the longest being 1,526 meters. A number of the bridges are very weak and need to be strengthened as soon as possible.

The rolling stock of the railways consists of the following: Serviceable locomotives 128, locomotives needing repair 99, total locomotives 227; serviceable passenger cars 336, passenger cars needing repair 61, total passenger cars 397; serviceable freight cars 4,874, freight cars needing repair 375, total freight cars 5,249.

There are three repair shops with an annual capacity for repairing (heavy and medium repairs) 372 locomotives, 360 passenger cars, and 2,940 freight cars.

The following figures compare passenger and freight traffic for the years 1937 through 1947:

Year	Passengers— 1,000 passen- gers/year	Freight— 1,000 tons/ year
1937	21,683	6,878
1938	25,569	7,903
1939	30,879	8,273
1940	38,176	8,105
1941	43,336	8,541
1942	43,725	8,237
1943	54,118	7,921
1944	62,088	6,811
1945	40,124	2,561
1946	43,264	2,336
1947	46,050	3,440

The traffic volume in April 1948 on western lines only was as follows: Passengers per day, 133,000; passengers daily kilometrage, 4,844,000; freight tons per day, 14,850; ton-kilometrage days, 2,200,900.

Total freight carried on the Taiwan Railways in 1941 amounted to 8,500,000 tons. The present capacity is only 5,500,000 tons. Railway officials estimate present requirements for the rehabilitation of the railroad as follows:

1. Replacement of 60 kilometers of rail.
2. Completion of train-despatching telephone system.
3. Repair of signal installations.
4. Renewal of 1,000,000 pieces of wooden ties.
5. Repair of damaged locomotives, passenger and freight cars.
6. Repair and strengthening of bridges.
7. Twenty new locomotives.
8. Repair of damaged station buildings, "godowns" and other structures.
9. Extension of Chutung line to Nelwan (12 km.).
10. Retracking of the torn-up Lingpien-Fangliao line (11 km.).

DEVELOPMENTS IN THE CHINESE ENAMELWARE INDUSTRY

The Chinese enamelware industry, which specializes in a limited number of household utensils, has resumed production in all of its prewar plants, has expanded operations in these, and has built a number of new factories. Average monthly output of the 18 factories (reported in July 1948) was about 70,000 dozen wash basins, 14,000 dozen spittoons, 87,500 dozen small bathtubs, and 50,000 dozen cups.

The major portion of output is exported. The principal postwar markets are the Philippines and the South Sea regions. Enamelware exports during 1947 were shipped to the following countries:

Philippine Islands, Hongkong, Singapore, United States, Siam, Canada, Japan, Argentina, United Kingdom.

Although postwar recovery in the Chinese enamelware industry has been

EXCHANGE & FINANCIAL MARKETS

HONGKONG LICENSED BANKS & NATIVE BANK FIRMS

A total of 132 commercial and native banks have been licensed for carrying on banking business in the Colony. In accordance with the Banking Ordinance, 1948 (Section 4), vide our issue of January 28, 1948, page 79, all local banking companies and native bank firm have applied for registration as banks. The Governor-in-Council has so far granted 132 licences. The registration fee of \$5,000 was paid by every licensed bank.

Of the total of 132 banks and native banks there are 13 European and American commercial bank, 5 Chinese Government banks, 3 Chinese Provincial Government banks, 33 Chinese-owned and operated commercial banks and trust companies, and 78 native banks, gold and silver dealers.

The five British banks are: Hongkong & Shanghai Banking Corp.; Chartered Bank of India, Australia & China; Mercantile Bank of India; E. D. Sassoon Banking Corp. and Thos. Cook & Son.

The four American banks are: Chase Bank; National City Bank of New York; American Express Co., and Underwriters Bank.

The two Netherlands banks are: Nederland Trading Society and Nederlandsch Indische Handelsbank.

The French bank: Banque de l'Indochine.

The Belgian Bank: Banque Belge pour l'Etranger.

The five Chinese Government banks operating in the Colony are: Bank of China, Farmers Bank of China, Central Trust of China, Bank of Communi-

cations and China Postal Remittances & Savings Bank.

The 3 Chinese Provincial Government banks are: Kwangtung Provincial Bank, Bank of Kwangsi and Provincial Bank of Fukien.

The 33 Chinese-owned and operated commercial banks and trust companies are:

The National Industrial Bank of China; Agricultural and Industrial Bank of China; Salt Industry Bank of Szechuan; The Bank of East Asia; The Wing On Bank; The National Commercial Bank; Young Bros. Banking Corporation; The China & South Sea Bank; The Sin Hua Trust and Savings Bank; Oversea Chinese Banking Corporation; The Yien Yieh Commercial Bank; The Shanghai Commercial and Savings Bank; H. K. Swatow Commercial Bank; Dekon Banking Corporation; The Canton Trust Co.; Yah Tung Commercial Bank; The Hong Nin Savings Bank; The South West Development Bank; The Manufacturers Bank of China; Bank of Canton; The Fu Shing Bank of Hong Kong; The China Industrial Bank of Hong Kong; The China State Bank; The National Commercial & Savings Bank; The China Trust Co.; Hua Fung Banking Corporation; Dah Sing Bank; The South Sea Industrial Bank; The Wing On Fire & Marine Insurance Company; The Hong Kong Trust Corporation; Fook Wa Banking & Insurance Company; Kincheng Banking Corporation, Bank of Chungking (Hong Kong).

The 78 Chinese native banks, gold and silver dealers are:

Dao Heng Bank; The China Bank; Fat Cheong Bank; The Kar Cheung Chong Bank; Yau Tak Bank; The Choi Kee Bank; The Yue Cheong Hong Bank; Tong Ho & Co.; Fengtien Co.; The Kan Koan Tsing & Co.; The Wing Tai Bank; The Man Kee Hing Kee Bank; The On Tai Bank; The Wo Cheung Bank; The Wing Lung Bank; The Tak Fat Bank; The Cheong Kee Bank; The Foo Kee Bank; The Yue Tak Shing Kee Bank; The Man Cheong Bank; The Kin Lap Bank; The Wing Ming Bank; The Sang Yick Bank; The Hang Lung Bank; The Po Sang Bank; The Kwa Kee Bank; The Wing Hang Cheong Kee Bank; The Kwong Shun Hong; The Hing Fung Kwong Fat Bank; The Hang Fat Bank; The Yee Sang Bank; The Lien Cheong Bank; The Tai Shing Bank; The Sang Yuen Bank; The Man Fat Bank; The Wing Cheung Bank; The Yue Loong Bank; The Chiu Tai Bank; The Hop Kee Seng Bank; The Mum Fat Bank; Lai Yuen Bank; The Shun Tseong Tai Bank; The Wah Mee Banking Company; The Tak Kee Bank; The Ming Tai Fat Kee Bank; The Tak Shing Food Kee Bank; The Kuan Ming Bank;

The Nam Sang Bank; The Shiu Cheong Bank; The Ngan Kee Bank; The Yau Wing Bank; The Hang Tai Bank; The Tai Sang Bank; The Yee Fat Bank; The Ming Tak Bank; The Kung Yue Bank; The Tai Yau Bank; The Ying Shun Bank; The Yue Jan Bank; The Tak Yuen Bank; The Khoi Luen Bank; China Trade Bank; The Kwei Kee Bank; The Lee Shing Bank; The Hsiang Yik Bank; The Tak Cheong Bank; The Hang Shun Gold Dealer; The Tung Tack Bank; The Sing Hang Bank; The Cheung Kee Bank; The Lui Hing Hop Cheung Kee Bank; The Chi Chong Bank; The Cheuk Kee Bank; The Kwong On Bank; The Nam May Bank; The Ying Yuen Bank; The Lin Chong Hing Savings Bank; The Yue Man Bank.

HONGKONG LICENSED (AUTHORISED) EX-CHANGE BANKS

There are 33 Commercial Banks licensed by Hongkong Government to conduct business in foreign exchange. Twenty-four banks are members of the Exchange Banks Association of Hongkong, and nine banks are non-members.

The following banks are members of the Association:

Chartered Bank of India, Australia & China (the manager of which bank is traditionally the Chairman of the Association), Hongkong & Shanghai Banking Corporation, Mercantile Bank of India, (the aforementioned 3 banks are British institutions); National City Bank of New York (U.S.), Netherlands Trading Society (Netherlands), Bank of China, Bank of Communications (Chinese Government institutions), Bank of East Asia—the aforementioned eight banks are members of the Committee of the Association.

Banque de l'Indochine (French), Netherlands India Commercial Bank (Nederlandsch Indische Handelsbank), Chase Bank (U.S.), Thos. Cook & Son Ltd. (British), Chinese Postal Remittances & Savings Bank (Chinese Government), Banque Belge pour l'Etranger (Belgian), Bank of Canton, Oversea-Chinese Banking Corp., China & South Sea Bank, Shanghai Commercial & Savings Bank, Young Brothers Banking Corporation, Bank of Kwangsi, National Commercial & Savings Bank (Chinese), Farmers Bank of China, Central Trust of China (Chinese Government).

The following nine banks are licensed to conduct foreign exchange transactions but are non-members of the Association:

Provincial Bank of Kwangtung, Provincial Bank of Fukien (Chinese Provincial Government banks), Kincheng Banking Corporation, Manufacturers Bank of China, China State Bank, National Industrial Bank of China, Na-

rapid, its principal prewar competitor, Japan, is being watched with anxiety and is expected to reemerge in this field in the near future.

The industry still is lacking raw materials (most of which must be imported). Inasmuch as this situation is caused by existing trade restrictions, enamelware manufacturers are very desirous of a greater share in foreign allocations of industrial raw materials, so that the industry may be placed in full operation.

CHINA'S GALLNUTS

China's gallnut trade has not recovered its prewar importance, nor is it likely to in the near future. Exports in 1947 amounted to 1,631 metric tons as compared with 411 tons in 1946. Hongkong was the largest point of destination, having taken 1,011 tons, followed by the United Kingdom with 330 and the United States with 141 tons. Exports in the first 5 months of 1948 totalled 292 tons.

Prices offered by foreign buyers are not sufficiently high to induce collections, particularly in the less accessible areas.

tional Commercial Bank (Chinese commercial banks), E. D. Sassoon Banking Corporation (British), Underwriters Bank (U.S.).

For conducting exchange transactions between Hongkong and Siam, the following two banks have obtained temporary authorisation: China State Bank, Hongkong & Swatow Commercial Bank.

RULES FOR EXCHANGE TRANSACTIONS IN HONGKONG

The Hongkong Exchange Banks' Association works in conjunction with the Hongkong Exchange Brokers' Association and any alterations in the rules of the latter Association must have the approval of the Banks. In the case of election of new members to the Exchange Brokers' Association the name of the Nominee must be acceptable to the Banks and two disapprovals will exclude.

The Exchange Banks' Association assists the Brokers to adhere to the Banks' Rules laid down and on no account to do exchange business with, or receive for the purpose of doing exchange business any broker who is not a member of the Hongkong Exchange Brokers' Association duly approved by the Banks. No Bank is allowed to do business through his Compradores if such business is done on the basis of sharing brokerage with a broker who is not a member of the Hongkong Exchange Brokers' Association.

Exchange brokerage is paid on any sales made by banks, either to other banks or merchants, at the rate of 1/16th of 1% less 25%. On interbank change-overs, 1/32% payable by each party. On "crosses" 1/64% payable by each party. No brokerage is paid on exchange contracts of a value of less than £500. (and/or the equivalent in other currencies.)

Cross business is a sale of an amount in a foreign currency against simultaneous purchase of an equivalent amount in another foreign currency. A change-over is a sale of an amount in a foreign currency against the purchase of a similar amount for a different delivery.)

Banks and Brokers are not permitted to quote finer rates than:—1/32 in Sterling, 1/16 in United States & Canadian Dollars, Straits Dollars, Rupees, Guilders, Piastres and Pesos; 1/8 in Ticals, & Swiss Francs.

Association Banks are not to transact business at split rates, i.e. half at one rate and half at another rate, both for the same bank and for the same delivery, the effect of the whole being a transaction at a lower fractional denomination than that quoted above. The term "same delivery" includes transactions with a less time difference than two months.

Banks are not to deal in Foreign Currency on a Hongkong dollar basis in other than the fractional denominations for that currency as are in force from time to time in the Hongkong market itself.

Association member Banks are not allowed to quote better than "Agreed Rates" to Merchants including Native Banks and Speculators. Interbank rates are to be quoted only between Members of the Association and the nine Licensed Banks, who are non-members.

HONGKONG BANKERS' CLEARING-HOUSE

There are at present twenty members of Hongkong Bankers' Clearing-House and 25 sub-clearing banks, together 45 commercial banks clearing twice daily their cheques, bills and other documents through the Clearing-house.

Following is a list of the 20 clearing banks and 25 sub-clearing banks indicating through which clearing banks the sub-clearing banks negotiate their cheques and bills:

American Express Co. Inc.
Bank of Canton Ltd.

1. Hong Nin Savings Bank.

Bank of China.

1. Bank of Kwangsi Ltd.

2. Sin Hua Trust & Savings Bank.

3. Yien Yieh Commercial Bank.

Bank of Communications.

1. Agricultural and Industrial Bank of China.

2. China State Bank Ltd.

3. Kwangtung Provincial Bank.

4. Manufacturers Bank of China.

5. National Commercial Bank.

6. National Industrial Bank of China.

7. South West Development Bank.

8. Yah Tung Commercial Bank, Ltd.

Bank of East Asia Ltd.

Banque Belge pour l'Etranger.

Banque De L'Indochine.

China & South Sea Bank.

1. Dah Sing Bank.

2. Kincheng Banking Corporation.

Chinese Postal Remittances & Savings Bank.

Chartered Bank of India, Australia & China.

Chase Bank.

Farmers Bank of China.

1. Cheng Dah Bank.

2. Fu Shing Bank of Hongkong.

4. Ka Wah Savings Bank.

Hongkong & Shanghai Banking Corporation.

1. Central Trust of China.

2. National Commercial & Savings Bank.

3. Underwriters Bank Inc.

4. Young Brothers Banking Corporation.

5. United Chinese Bank Ltd.

Mercantile Bank of India Ltd.

National City Bank of New York.

Netherlands India Commercial Bank.

Netherlands Trading Society.

Overseas Chinese Banking Corporation.

1. Chiyu Banking Corporation.

2. Provincial Bank of Fukien.

3. Hongkong & Swatow Commercial Bank.

Shanghai Commercial & Savings Bank.

Wing On Bank Ltd.

A Committee of not exceeding 10 Banks is appointed to make or alter rules as may from time to time be necessary. At present the Committee consists of the Chartered Bank of India Australia & China, Hongkong & Shanghai Banking Corporation and Mercantile Bank of India together with the National City Bank of New York, Ban-

"Agreed Merchant Rates" are fixed by the Hongkong & Shanghai Banking Corp. and the Chartered Bank, in consultation. Changes are notified by the Chairman of the Association (the Manager of the Chartered Bank). No rebates or return commissions are allowed.

que de l'Indochine, Netherlands Trading Society and the Bank of China.

Regulations for Hongkong Bankers' Clearing-House

The "Clearing" is conducted at 4a, Des Voeux Road Central, or such place as the Committee from time to time shall decide upon. There are two Clearings in the day—the first at 12 Noon and the second at 3.30 p.m., except on Saturday with one Clearing only at 12 Noon.

Each Bank sends to the Clearing-house one or more competent clerks to deliver and receive the vouchers cleared. In order to ensure the smooth working of the Clearing House it is essential that only thoroughly competent clerks are in attendance. Each bank drawers along with the vouchers a detailed list of the cheques drawn on each other Bank, together with a summary of the same showing the sum total. After comparing the totals the Officer in charge makes up an abstract of the balances due to or by the several Banks. All Cheques, Bills and other documents, domiciled at a Bank in Hongkong represented in the Clearing-house, are passed through the Clearing-house. In evidence of the channel through which they have been negotiated, they are impressed with a special stamp or Clearing-house mark.

All documents to be "Cleared" have to be properly endorsed or otherwise discharged before being sent in, and bear the name of the Bank to which they belong. The Officer in charge of the Clearing is in no way responsible for flaws in the endorsement of Cheques, or Bills, or for any irregularity whatever in any of their features; he is not required to satisfy himself whether the Banks are in funds to meet them, but receives the documents on the assumption that they are in all respects complete and provided for. In the case of non-payment of any documents, they are returned to the presenting Bank by 5 p.m. on the same day. On Saturdays they are returned by 2 p.m. Any cheques that are not returned by these times, may be returned up till 10 a.m. on the following working-day. Returned cheques have to be refunded in cash or Clearing-house voucher at the option of the Bank returning them. Clearing arrangements in no way deprive any Clearing Bank of the right to present cheques direct for payment in cash by drawee Banks.

A representative of the Hongkong & Shanghai Banking Corp. is in charge of the Clearing, but claims arising from errors in exchange or from non-payment of Bills, Cheques, &c., are to be settled between the interested Banks, the Clearing-house having no responsibility whatever in connection therewith. The Hongkong & Shanghai Banking Corp. is the central Clearing Bank and all members of the Clearing-house keep an account with them, such account to be kept in funds. At the close of each Clearing, the officer in charge of the Clearing is handing to the Hongkong & Shanghai Bank a statement of Transfer to be made to adjust the Clearing, and it is the duty

of each Bank to see that they have sufficient funds in their account to meet any adverse balance of the Clearing, by 5 p.m. daily and on Saturdays at 1.30 p.m.

If, at 5 p.m. on week-days and at 1.30 p.m. on Saturdays, any Bank has not sufficient funds at its credit with the Hongkong & Shanghai Bank, the officer in charge of the Clearing is advised forthwith and the Bank in question is declared a defaulter. If any Bank defaults, its Clearing for that day is deleted and its Clearing adjusted with the Banks interested. In case of any Bank defaulting, its name will be deleted from membership of the Clearing-house and the remaining Clearing Banks shall not at any time receive further Cheques, Bills, &c., on such defaulting Bank.

All Banks joining the Clearing-house pay an entrance fee of \$50. All expenses connected with the Clearing-house are borne in equal proportions by the Clearing Banks. Admission of new members to the Clearing-house are at the discretion of the Committee.

* * * *

CHINESE GOVERNMENT BANKS IN HONGKONG

The National Government of China maintains in the Colony officially two research bureaus for financial, commercial, transportation and industrial affairs, viz. the liaison office of the Central Bank of China and the research office of the Joint Office of the Four Government Banks of China.

The following five state banks operate banking business in Hongkong:—Bank of Communications, Bank of China, Farmers Bank of China, Chinese Postal Remittances & Savings Bank and Central Trust of China.

Several Chinese Provincial governments maintain offices of provincial banks in the Colony which engage in every description of banking business.

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HONGKONG CLEARING FIGURES

Following are the Hongkong Clearing House figures for the first ten months of the year of 1948 compared with the same period of 1947:—

	1948	1947
January ..	\$690,869,863	\$442,070,003
February ..	624,267,531	460,807,503
March	780,180,420	464,184,534
April	753,367,765	541,751,540
May	677,060,291	642,913,034
June	667,992,698	500,954,782
July	656,716,034	628,312,553
August	667,791,274	548,873,303
September ..	667,270,511	633,493,709
October ..	600,305,004	611,565,018
November ..	—	512,126,354
December ..	—	608,011,824
	\$6,785,821,391	\$6,595,044,175

Clearing House figures for October were the lowest for the current year

reflecting the trade recession and the decline in stock exchange and land transactions.

Against the month of September of this year the October clearing amount shows a decline of 10.03%; and compared with the same month of last year, October 1947, the decline amounts to 1.84%. During the first nine months of this year every month showed an increase over the comparative month of 1947.

The highest clearing figure for the current year was recorded in March with \$780.1 m., and the highest figure for 1947 was recorded in May with \$642.9 m.

For the first ten months of 1948 the total clearing amount is \$6,785.8 m. against \$5,474.9 m. for the period January to October 1947. Accordingly, the current year's increase over 1947 amounts to 23.94%.

* * * *

AMERICAN DOLLAR MARKET

During recent weeks many dealers have cleared their stocks previously imported from the U.S., directly or via Shanghai (after the Chinese authorities clamped down on imports en route for China ports), and have found themselves with more ready cash on hand than they expected. That does not mean to say that profits from sales were considered satisfactory; on the contrary, Chinese dealers were not themselves if they did not complain and assert that they always lose, and of late such allegations are usually made with a view to impress the Inland Revenue Department.

At any rate, godown space has been cleared to a large extent; shipments to China and other Far Eastern countries were, especially in September, very voluminous and restocking has hardly been attempted. The prevailing outlook of dealers and wholesalers remains to anticipate lower prices, easy supplies and an unresponsive retail market; except for a few scarce items (steel, pig iron, construction materials generally, etc.) which always find not only eager buyers but, unfortunately, an increasing number of commodity hoarders and speculators, the retailers here and abroad report slackening buying interest and do not encourage dealers to lay in any larger stocks. The seasonal upswing has, however, set in and more sales to the general public are certain for the forthcoming Christmas and Chinese New Year season.

Still, there is no hurry to order from the U.S. at prevailing high prices in the States and at the expensive unofficial US\$ rate. The expanded U.S. maritime strike has further contributed to the decline in merchant orders but resumption of shipping between America and the Far East is generally expected before the end of November when a temporary increase in local merchant demand for TT New York should be felt.

Meanwhile gold importers' buying of US drafts and funds in New York which has been fairly large last week is a steady factor in the local free US\$ market. But for these buyers, spearheaded by native banks, the free rate should be considerably lower, approximating a crossrate of US\$3.20.

Another buying group has recently been more noticeable: Shanghai flight capitalists who come to the Colony where they convert part of their yuan holdings into funds in the U.S. This development has not been unexpected and there should continue further such conversions although it appears illogical that Chinese capitalists should repose such faith in the US currency at a time when sterling gains in firmness all over the international exchange markets.

Gold importers may remain active for some time to come and the oftake might improve with the China market turning now more receptive. Last week's total gold orders were estimated at over 100,000 ozs, involving approx. US\$4½ million.

Overseas Chinese inward remittances improved last week over the recent weekly averages and more sales from this source must be anticipated during the next 2 months which usually witness the annual maxima on account of the series of holidays (Christian and Chinese).

Export bills both in US\$ and Peso were on offer and many inter-merchant transactions (from produce exporters to American chemicals importers, for instance) were put through, bypassing the exchange market and exchange brokers.

Unofficial sterling showed more strength and confidence was rather generally observed with regard to an improved quotation for U.K. resident account sterling.

Local market sales last week amounted to:—TT New York US\$1,428,000; drafts (payable in the U.S.) 658,000; notes US\$322,000.

Highest & lowest rates (per US\$ 100):—notes HK\$527½—515½; drafts 530—519; TT New York 533—523 (equalling US\$18.76—19.12 per HK\$ 100).

The local cross rate, US\$3.059, high, US\$3, low. New York free rates advanced to 2.95/6; pound notes sold as high as 2.92. Paris open market business was done at a cross of 2.90/92; Zurich cross business from 2.88—2.90.

RETRACTION AND APOLOGY

We published in our issue of October 27th, 1948, a paragraph under the heading of "U.S. Dollar Market", which contained a statement "The local office of the Bank of China bought last week in the name of a private person an amount of US\$1,000,000 both in drafts and TT."

The Bank of China have denied that they made any such purchase and we freely accept the position that the statement referred to is wholly unfounded and we hereby unreservedly withdraw it. We tender our sincere regret and apology to the Bank of China in having published the statement. We already, on November 6th, tendered our apology and regrets to the Bank of China and we trust that the Bank will accept this expression of regret and apology in the spirit in which it is offered and as the best amends it is in our power to make.

DEVALUATION OF THE "GOLD" YUAN

On November 11, the National Government of China abolished the remainder of the so-called Economic Emergency Reform Measures decreed by Generalissimo Chiang Kai-shek on August 19. The exchange rate of the "gold" yuan was adjusted in conformity with black market quotations though still limping behind realities.

The possession of gold, silver and foreign currencies is no longer a crime punishable, in extreme cases, with execution by a firing squad; as from November 11, Chinese citizens and foreign residents in China may again possess gold, silver and foreign currencies as well as assets abroad.

The circulation of silver, in form of bullion and coin, is again legalised but trading in gold and foreign currencies remains as yet interdicted and black market dealers are still threatened with prosecution.

The official devaluation of the "gold" yuan amounts to 80% (or, conversely, the appreciation of gold, silver and foreign exchange amounts to 400%).

The new official "conversion" rates (i.e. rates established by the Nanking authorities for the buying of gold, silver and foreign exchange) are as follows:

	Yuan
US\$ 1	20
Gold oz	1,000
Silver oz	15
Silver \$ coin	10
£	60
HK\$	3.75

The official cross rate remains at US\$3 per £ (HK\$533 per US\$100).

When the Presidential mandate of August 19 was issued the following compulsory conversion rates were decreed:

Chinese official conversion rates for bullion and foreign exchange:-

Gold CN\$

Yuan millions US\$

Gold, 1 oz	200	600	50
(weight of one gold yuan has been fixed at 0.22217 gram)			

Silver, 1 oz ...	3	9	0.75
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Silver \$ coin	2	6	0.50
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Gold CN\$ crossrate

Yuan millions US\$

US\$ 1	4	12	
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£	12	36	3
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HK\$ 1	0.75	2 1/4	0.1834
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			(HK\$533)
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Rupee 1	0.90	2.7	0.22 1/2
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Swiss fr. 1	1	3	0.25
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Chinese official parities for Hongkong dollar:-

Gold	CN\$	Hongkong
Yuan	millions	dollar

0.75	2 1/4	1
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1.0	3	1.333
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0.333	1	0.44433
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The first devaluation of the "gold" yuan, by 80%, has now been announced but the official rates are already considerably lower than the market quotations. As inflation and economic deterioration progress in China it will be necessary to free the Chinese yuan

currency of any "fixed" rate and to introduce a really free market rate. The situation is, in any case, beyond control and cannot be maintained until the civil war has been terminated. But in order to obviate unnecessary turmoil in the country, as far as under Nanking jurisdiction, no hard and fast rules and regulations should be any longer decreed.

The National Government has suffered irreparable damage to its international and domestic prestige; among the Chinese people the Nanking authorities have lost "face" as never before. It took only two months to demonstrate to the world that the new economic reform measures could not be enforced, were opposed by the people and did inflict unprecedented suffering on the masses.

Generalissimo Chiang was compelled to cancel all decrees of August 19, and re-instate the position as prevailed before that fateful date. But meanwhile inflation has fantastically progressed and what little confidence there might have previously been in his leadership has gone, the support of the middle classes has almost turned into hostility and the upper strata of Chinese society have moved away from him.

Before the August 19 decrees one US\$ sold in the black market between CN\$11 to 12 million which rate was adopted by the Nanking authorities when "fixing" the compulsory conversion rates for foreign currencies, gold and silver. According to the November 11 adjusted rates, one US\$ equals CN\$60 million (against pre-war CN\$ 3 1/3). The tempo of monetary inflation during the current year, and especially since the Aug. 19 "reform measures," has been viciously speeded up.

The official exchange rate of Nanking with regard to the Hongkong dollar is unrealistic and requires an early upward revision so that China's trade with the Colony, and thus with the whole world, is not stifled. As conditions are at the moment Chinese exports do not move out of the country and import needs of the Chinese people become ever more pressing.

The Nanking authorities, having proved before the nation and the world at large, their ineptitude and their amateurish management of the affairs of the country, should now refrain from any but the barest controls. The people have clearly indicated to the high and mighty Kuomintang rulers that they have the courage and the means to defeat any state controls and state interference, even if backed up by terror, secret police and concentration camp methods a la Himmler.

It is not correct to speak of a "washout" when reviewing the upshot of the "reform measures" and the "gold yuan currency reform;" the Chinese Government has taken in some US\$180 million worth in foreign exchange and bullion as a result of the Aug. 19 decrees which outlawed possession of them and simultaneously demanded their surrender at "fixed" rates. Many "offenders" lost their property and their freedom during the period of com-

pulsory conversion. Those still in detention cells of the police may now be released; those sentenced to imprisonment may, by an act of special mercy of the blundering Government, be set free before their term expires; but those "economic criminals" who lost their lives in the recent "gold yuan war" will be possibly exhumated and reinterred with a fitting inscription on a state-donated tomb stone.

CHINESE CURRENCY MARKETS

The political and military situation in Shanghai, Nanking and Central China has further and very seriously deteriorated during last week. Rice riots have broken out in many places, martial law has been invoked together with stringent curfew regulations, the war front is approaching the Chinese capital, guerilla and "fifth column" activities in the rear of the Nationalist forces are multiplying, refugees are streaming to and fro, and the Chinese army in the Shanghai area is going to enforce "total war system" and put the city on a military footing.

Commodities are generally in short supply, domestic trade is partly disrupted, law and authority is held in contempt by the majority of the population in the large Yangtze cities. What respect the Nanking authorities could command until a few weeks ago has gone, and gone for good; the introduction of the "economic reform measures" which, inter alia, outlawed gold, silver and foreign currency possession, demanded from the people the surrender of their holdings threatening them with death and long terms of penal servitude, have now boomeranged on the Government.

Signifying the financial confusion in China the commercial interest rates as charged by banks skyrocketed to unheard-of levels, establishing world records: Daily rates of interest for commercial loans, against security, were at Swatow 25% (or 750% per month), at Amoy 20%, at Canton 10%. In Shanghai rates fluctuated, from 10 to 20% per one day. Business loans were contracted in Shanghai at around 500% per one month.

Domestic remittance rates were also in a state of utter confusion. It is understandable that outward remittances from encircled Peiping and Tientsin to Central or South China were hard to effect and that great premia had to be paid in North China; but the differences between lower Yangtze cities and South China were so erratic that from hour to hour new discounts on Shanghai, Nanking etc. were recorded at Canton and other South China cities. Canton discounted the "gold" yuan of the Shanghai variety at between 25 to 50%. Similar discounts were reported from West China cities, especially Chungking, Chengtu and Kunming.

HONGKONG MARKET:—Business was very active but larger transactions were not going through the native banks and brokers market, especially for TT Shanghai. Sales recorded in the native exchange market (outside the Gold & Silver Exchange Society) aggregated last week:—TT and DD Canton Yuan 20,200,000; TT Shanghai

11,800,000; TT Swatow 10,860,000; TT Amoy 11,200,000. Yuan spot notes sold: 1,625,000.

On Nov. 11, the Chinese Govt. decreed the first "gold" yuan devaluation and established new foreign exchange rates, viz. one yuan to equal HK\$ 0.2666; one HK\$ to equal Yuan 3.75.

Highest & lowest rates last week (in Hongkong dollar per Ten Yuan):—

	Depreciation against High Low official rate		
yuan note	2.57½	1.60	3.43-40%
TT Sh'hai	1.77½	0.92	33.43-65½%
DD Canton	2.17½	1.35	18.43-49.38%

SHANGHAI MARKET:—Trading was active and the fears of informers operating in collusion with the various law-enforcing authorities are subsiding. Rates were chaotic reflecting extreme uncertainty about the immediate future of Shanghai. Many exchange operators refused to do business in view of the wild fluctuations which were particularly upsetting on the rice and other food markets. Within one day certain commodity prices advanced by 100%, next day they dropped by 30 to 50%, and neither buyers nor sellers had any clear idea about the real value of a respective commodity at any given time. There was a large gold turnover at rates as recorded below.

Highest & lowest rates (in Yuan):—

	High	Low
Gold per oz	2.900	1.600
US note	49.50	25.50
HK note	10.95	5.75

TT New York and cheques drawn on New York were changing hands at 10 to 20% above the note price.

Gold crosses moved between 54 to 68; and the HK\$ cross was between 0.20 to 0.22, signifying insistent demand for HK notes.

CANTON MARKET:—Gold was traded by an increasing number of shops and brokers at rates which were HK\$ 3 to 4 in excess of the local level. Silver is now freely traded since Nov. 11. HK notes were actively bought at rates between Yuan 4.20 to 7.20.

NEW YORK MARKET:—The previous parity to the US\$ was changed on Nov. 12 to 5 US cents (from 25 cents) per one "gold" yuan. The depreciation amounts to 80%. Free market business was conducted much lower, around 3 to 4 US cents. It proves ever more difficult to sell yuan in New York which is partly the result of the current evacuation of American citizens from China.

Return of gold to the people

Generalissimo Chiang stated last week that what has been "taken from the people will be used for the people," and the public has interpreted this sentence to mean that the proceeds of this "taking," i.e. the compulsory conversion of gold, silver and foreign currencies, will be utilised for importing food and essential materials, including war equipment and munitions. However, the Central Bank of China now an-

nounces that they will sell back to the public a certain limited amount of gold at the following terms: one ounce will cost yuan 1,000 but the buyer has to deposit another yuan 1,000 which will be frozen for one year bearing 2% interest per year.

That means, one ounce of gold, which was compulsorily converted at yuan 200, is now on sale, in limited quantities and at the discretion of the Government, for yuan 2,000. Nobody is deceived about the yuan 1,000 "fixed deposit"; by the time the depositor will come around and claim his deposit, provided that the Nanking treasury is still in existence, 1,000 yuan will probably buy one box of matches; provided again that no new currency has been introduced, backed by "gold" or any other official promise. The terms of the gold offer are absurd.

The Kan Pi (Kong Pei)

The bank notes in circulation in Manchuria and North as well as Central China issued by the new Communist sponsored authorities have been seen already some time ago in the Colony but trading as yet does not take place. There is no exchange rate established for the currencies in the so-called Liberated Areas of Manchuria and North China since no foreign commerce is at present conducted.

The currency of the Nanking Government, previously called "Chinese National yuan" or just "legal tender" of the Nanking Government (*fa-pi*) but since August 19 re-named "gold yuan," and the currencies issued by the authorities in Manchuria and North China are usually changed in border areas at prevailing market rates. While the market rate has constantly moved in favour of the "Kan Pi" (that is: Resistance money, otherwise also referred to as "B'en Pi," in Cantonese "Bing Fei," meaning Border money after the Region Government in North China) the money of the Central Bank of China has been driven out from all the areas where the Nanking armies were expelled or surrendered.

After the introduction of the new "gold" yuan currency in Nanking the "Kan Pi" made new headway even in such areas where the Nanking armies were still in control. As the military situation worsened for Nanking and the common people lost faith in the Generalissimo's leadership and also saw the "gold" yuan tumble, the acceptance of the Kan Pi became more general.

The following Kan Pi currencies are at present issued and in general circulation in the areas under Communist administration:—

North China Liberated Area dollar (yuan) issued by the Bank of South Hopei and the Bank of Shansi-Chahar-Hopei (the notes of the first named bank are exchanged at one to ten yuan for notes of the second named bank).

Shantung Liberated Area dollar (yuan), issued by North Sea Bank, exchanging at one to one with the yuan of the Bank of South Hopei.

The aforementioned 3 yuan issues will be consolidated and one single currency for all North China will be authorised by the North China People's

Government (established on September 1, vide our issue of Sept. 8, page 232).

North-East Liberated Area (Manchuria) dollar, circulating in all of Manchuria, issued by the N.E. Bank.

Regional currencies are issued as the Communist armies advance; such scrip is usually consolidated with the establishment of full control over a newly "liberated" area.

In Central China, north of the Yangtze, the Communists are in practically unchallenged control and they have introduced a new currency for the provinces of Honan, Anhwei and Kiangsu.

TRAVELLERS BETWEEN HONG-KONG & CHINA

The manifold proofs of Hongkong Government assistance to China's Government at Nanking are piling up; last week's rice loan to hard-pressed and semi-starved Shanghai has not gone unnoticed, we hope.

Some Hongkong Government entirely one-sided cooperation with the Nanking authorities has, however, turned out to be, in fact, obstruction. This applies particularly to the continued ban here on the import and export of Chinese yuan in excess of 20 yuan, an amount which last week equalled only HK\$ 4.

Confiscations of amounts carried in or out of the Colony in excess of 20 yuan continue, and such confiscated amounts are not retained by the local Government but, to make the peculiar brand of Hongkong "cooperation" with Nanking still more glaring, are turned over to the Chinese authorities.

In Canton, the various authorities do not see eye to eye generally, and as regards the maximum permitted amounts of yuan or foreign exchange to be carried in and out of China by travellers, in particular. The Finance Control Bureau, the Economic Supervisory Office and the Chinese Maritime Customs have their own interpretations of the regulations, with the Customs being most generous permitting yuan 1,000 as limit.

The various authorities in Canton, interested in the matter of facilitating or otherwise travelling between their city and province and abroad, have sent many urgent telegrams to Nanking requesting an alteration of previous now anachronistic regulations or insisting on the clarification of earlier rules. It must be appreciated that most official regulations in China are open to conflicting interpretations and are usually phrased in such ambiguous terminology that they are the envy of every foreign solicitor.

Unfortunately, the Nanking authorities are heavily engaged in solving military puzzles and cannot be disturbed by such Provincial or Special Municipality importunities. The Governor and Supreme Commander of Army, Pacification Corps and Kuomintang in Kwangtung, Dr T. V. Soong, is not making a decision although it is known that he, as always, favours realism in business matters and there-

fore can be expected to favour the abolition of the "Yuan 20 limit". With the incessant depreciation of the yuan an amount of 20 yuan will soon not even buy a breakfast.

However, the Hongkong authorities, instead of cancelling the prohibition of carrying an amount over 20 yuan, still insist that arriving travellers from Kwangtung must be paupers.

GOLD MARKETS

Bu'lion dealers were increasingly confident about better sales to China after the Chinese Government was compelled to abrogate its various control and "reform" measures. With the increasing disintegration of the Nanking authority, the retirement of the "tiger hunting" Maj. Gen. Chiang Ching-kuo and the emerging bolder opposition of the general public to the Kuomintang rule, a free gold market may result eventually all over China.

Nobody has any doubt as regards the worthlessness of the yuan currency and therefore the investment of spare money in gold is commonly resorted to. It is, however, an unfortunate fact that the masses in China have been so impoverished that few only dispose of more money than they urgently need for paying for food and other essentials. The China oft-take will therefore depend on the actual ability of the people to save money which is, under present conditions, approaching a total collapse in Nanking China, not at all encouraging.

The forced conversion of gold, at first decreed by Generalissimo Chiang on Aug. 19, then reluctantly abandoned on Nov. 11, has deprived the majority of the small investors of their life-long savings in gold at the same time enhancing the gold resources of Nanking. While these hapless small investors might wish to buy again some gold, its possession made permissible again in one of the many about-face decisions of the Nanking Government, the regrettable fact is that these people neither have sufficient funds in yuan nor do they earn more than they urgently require for meeting their daily food bills.

Highest & lowest prices in the local market were \$310½—299¼. Cross rate US\$47.90, high, 47.10, low.

Sales in the local native market: spot, inside Exchange: 12,450 taels,

spot, outside Exchange: 32,230 taels. Forward market business aggregated 554,600 taels, stipulated on delivery, and 452,040 taels transacted during the week on position clearing only.

Trading Reports for the week:-

Monday, Nov. 8:—Bank holiday. With the heaviest drop of "Gold" Yuan ever witnessed in a single day, speculators sold in the unofficial market and pulled the rate down to 303.

Tuesday, Nov. 9:—Opening & closing rates \$302—301½. On the fictitious

forward market the change over favoured the sellers at the interest rate of 2 H.K. cents per tael per day. Throughout the week the change over rate continued in favour of sellers. Continuing Monday's unofficial easy market, rates receded to 299¼, lowest of the week under review. The declining T.T. New York rate, to 521, and lower prices in Macao and Canton influenced the dealers. At this low level, imports of gold from abroad are not profitable.

Wednesday, Nov. 10:—Opening and closing 302¾—305. Change over 7 cents. Market turned firm on the news

HONGKONG EXCHANGE BANKS ASSOCIATION

AGREED MERCHANT RATES

MAXIMUM SELLING

MINIMUM BUYING

STERLING. 1/2 15/16	delivery within 2 months with a cut of 1/32 for every fur- ther 3 months forward.	1/3 1/32 T.T. 1/3 1/16 O/D. 1/3 3/32 30d/s. 1/3 1/8 60.90d/s. 1/3 5/32 120d/s.
—Do— (East & South Africa)		1/3 1/8 O/D if under L/Credit. 1/3 3/16 O/L with L/Credit 1/32nd up every 30d/s.
—Do— (West Africa & West Indies)		1/3 5/16 O/D if under L/Credit. 1/3 3/8 O/D with L/Credit 1/32nd up every 30d/s.
RUPEES (India)	82 ¾	83 ¾ T.T. 94 O/D. 84 ½ 7 & 30d/s. 84 ¼ 60d/s. 84 ¾ 80d/s. All buying rates 3/16th higher than India.
—Do— (Rangoon)	82 ¾	84 ½ O/D if under L/Credit.
—Do— (Aden)	82 ¾	84 ¼ O/D without L/Credit. 84 ¾ 30 & 60 d/s.
Straits \$	52 ¾	53 ½ T.T. & O.D. 53 ¾ 30 & 60 days
U.S.\$ 24 15/16	delivery within 2 months with a cut of 1/16 for every fur- ther 3 months forward.	25 T.T. 25 5/16 O/D—30d/s. 25 3/8 60—90d/s.
CANADIAN \$		
U.S.\$ NOTES		25 ¾ (Banks to pay Insur- ance and Postage).
AUSTRALIA.	1/6 ½	1/6 ¾ T.T. 1/6 15/16 O/D.
NEW ZEALAND.	1/2 15/16	1/3 3/16 T.T. 1/3 1/4 O/D.

HONGKONG UNOFFICIAL EXCHANGE RATES

(In H.K. dollars)

Nov.	Gold			Per 10 Chinese Yuan						U.S. Dollar			
	per tael	High	Low	Silver	Notes	T.T.	Shanghai	T.T.	Canton	Note	Draft	T.T.	New York
8	304 ¾	302 ¾	3.98		2.20	1.65	0.99 ½	0.95	1.80	1.35	5.22	5.26	5.29
9	302 ½	299 ¾	3.98		1.95	1.60	0.93	0.92	1.55	1.50	5.19	5.22	5.25
10	306	302 ¾	3.98		2.27 ½	1.67 ½	1.30	1.10	1.70	1.70	5.23	5.26	5.29 ½
11	306 ¼	304 ½	4.00		2.57 ½	2.05	1.77 ½	1.70	2.15	2.00	5.24	5.28	5.31 ¼
12	310 ½	306 ¾	4.00		2.55	2.12 ½	1.52 ½	1.50	1.92 ½	1.90	5.27	5.28	5.33
13	307 ¾	305 ½	4.00		2.50	2.00	1.60	1.52	2.17 ½	2.10	5.26	5.27	5.31 ½

that China may revise exchange regulations and allow the people to possess gold and foreign currencies. Free gold in Paris rose by 4%, in anticipation of gold coinage with the help of U.S. to stabilize the Franc.

Thursday, Nov. 11:—Opening & closing 304½—304¾. Change over 3 cents. With gold importers sales absorbed by Shanghai and Canton speculators, market ruled quietly steady.

Friday, Nov. 12:—Opening & closing 307—307¾. Change over 10 cents. News of the Chinese Government allowing possession of gold and foreign currencies confirmed, but dealings still prohibited. Rates climbed up to 310½, highest of the week. Interest rate increased on account of bigger stock here, the firmness of the market was checked both by this and by profit taking sales.

Saturday, Nov. 13:—Opening & closing 307½—306. Change over 8 cents. Unsettled conditions and poor purchasing power in China, to absorb the stocks here and Macao, depressed the market. Furthermore, according to proclamation of the Chinese Government the Central Bank of China will be empowered to sell gold or silver. Thus, a probably big gold seller may appear in China. In the unofficial afternoon market, some small business done at 306¾.

Trading Position:—

Total cash bars turned over during the week, officially 12,450 taels and unofficially 32,230 taels. About 25,000 taels changed hands by interest hedging forward operators. 10,000 taels exported, some for ornamental consumption, and a quantity acquired by local investors.

With 25,000 taels imported from Macao during the week and exports over 10,000 taels, stock here increased by 15,000 taels. Exports to Singapore figured at 4,500 taels, Bangkok 3,500 taels, India 1,000 taels, Amoy and Swatow 500 taels each.

SILVER MARKET

Unrecorded imports of bullion and coins were small and were readily absorbed by dealers, particularly one large silver hong. Exports were also small although the profit margin is now more attractive.

New York and London quoted resp. 7½ cents and 45½d. (spot & forward) while Hongkong quoted between \$3.27/29 per oz troy. Per tael, prices here were last week (in HK\$):—3.98 to 4.00 (bars and ingots). Dollar coins and 20 cents coins, the latter per 5 pieces, quoted \$2.55/60 and \$1.98/2.

Sales in the native exchange market:—51,800 taels; \$10,000 and \$59,000 worth of dollar and 20 cents coins respectively.

The market was discussing the reported intention of the Chinese Government to dispose of a large number of silver dollar coins in the local market. If such official sales materialise the price of silver should weaken. It appears however more reasonable to expect the Nanking treasury to sell silver directly in New York through one of its agencies there.

The disposal of silver may be undertaken for the purpose of supporting the

unofficial exchange rate of the "gold" yuan. Much of the silver which the Nanking Government now holds was obtained from the compulsory conversion which, since November 11, has however been cancelled. The silver possessions of the Central Bank of China, as a reserve for the issue of yuan notes, were officially reported as 2.4 million ozs and 53.9 million dollar coins, computed by the Central Bank at respectively US\$1.8 m. and US\$26.9 m. as at November 1. The local market anticipates the disposal of some 20 million silver dollar coins by the Chinese Government.

DIAMOND BUSINESS

There has been a lull in the diamond market recently. Importers and dealers are awaiting the outcome of the unsettled Shanghai situation. Reports, however, from sources in Shanghai state that some business has been transacted on the basis used by merchants prior to August 19, 1948 (i.e. price per carat was quoted against gold bars). Most of the Shanghai merchants however are still on vacation and are holding to their stocks pending a clarification of the situation.

In Hong Kong there have been enquiries from dealers for small stones of about 20 per carat but prices offered are below replacement cost although small business has been recorded. Large sizes above five carats (of course) have been neglected and the market appears to be well supplied.

There have also been several enquiries from private individuals for better quality goods; Blue white and White from three to six carats but again prices offered were not in line with the price ruling in world markets and little retail business has resulted.

Some parcels of one carat and slightly larger sizes have changed hands between importers and dealers at prices which must have left importers with a very small margin of profit if any at all. It has also been reported that goods which were ordered immediately after lifting of the restrictions on the importation of Diamonds have arrived in the Colony and consequently the market is well supplied to take care of all enquiries.

The investing public are more selective than they were two months ago and they are in no hurry to buy. It would appear that the Diamond Market as a whole is adopting a wait and see policy.

PLATINUM MARKET

Local enquiry is again in evidence and more purchases by Chinese investors were reported. The legal position of platinum in China is obscure; it appears that on the plea of ornamental consumption this metal can be traded but not imported into China. Holders and prospective clients are biding their time in Shanghai waiting for a clarification of the gold and silver trading situation. The Chinese Government is continually changing regulations and it is quite possible that for a short while trading will be again legalised.

Japanese plates sold here slightly over \$500 per tael while English stamped metal was on offer at 565 to 570 per tael.

HONGKONG STOCK & SHARE MARKET

The rather severe marking down of the price of London registered HONGKONG BANK shares caused an air of caution to permeate the market during the week November 9 to November 12. The reason of a loss of a total of £12½ a share in a week is unknown, but informed circles attribute it to the situation in China. In face of this it was not surprising that buying ardour waned with volume falling off sharply.

Favourable local news marketwise of improved working results and expansion projects were unheeded. This is regarded as most unusual, and may signify another change in the trend.

The HONGKONG ELECTRIC Company will shortly commence building operations on the site purchased in the Central District for a Central Substation and flats for its employees. In its Power Station in North Point it is installing a new Turbine and Boiler. These will boost power production and enable it to supply all existing demand for current on the Island. But if building development continues at the present rate it will not be long before the enlarged plant will have reached capacity. Despite this shares were obtainable at the close at \$38!

The CHINA LIGHT & POWER CO. announced that its annual Meeting will be held on November 27, and that the new issue will be offered to shareholders on the register on the 20th November 1948. The transfer books will be closed from November 20th to December 6th, both days inclusive.

BANK NOTE MARKETS

Bank of England notes found some speculative buyers and higher prices ruled throughout the week reflecting the New York trend. £1. notes sold between \$14.09 to 14.55.

Piastre notes were in oversupply as speculative holders unloaded and merchant demand receded. Generally, there is pessimism expressed as to the future trend of the piastre on the local market. Highest & lowest rate per 100 piastres \$10—9¾. Sales in the local native market (in million piastres): spot, inside Exchange, 4.95; spot, outside, 4.85; forward 4.8.

Free market developments in Paris also point towards a further worsening of the Franc rate; gold rose by 4% and consequently Saigon prices were affected. New piastre notes are to be issued soon, retiring the present Banque de l'Indochine's issue in due course.

Nica guilders sold last week here on the spot market: 211,000, at highest & lowest rates of \$34.40—32½ per 100 guilders. Bank of Java notes a few points lower than Nica.

Bah notes were not much in demand, selling at \$26½—25½.

Philippine Peso notes sold in small volume at \$2.55—2.51.

An initial payment of \$3 per share is to be made on January 1949 on the new shares, the balance of \$2 will be called at such time or times thereafter as the Directors think fit. Meanwhile, it is interesting to note the net profit for the year just ended is on the same scale as the previous year, while charges were considerably lower. From April 12th 1947 to January 1, 1948 reductions in charges were effected in stages, for Lighting unit from 71.28 cents to 40 cents and for Power unit from 27.72 cents to 18 cents. It is believed the company will continue to reduce its charges as its costs decline through increased production. The final dividend of \$1 per share will absorb the sum of \$2,376,025 which with the sum of \$950,311 appropriated for the interim dividend makes a total dividend distribution for the year of \$3,326,336. A sum of \$851,056 is being carried forward to next year's account.

Total sales reported for the four days of trading last week amounted to 34,747 shares of an approximate value of \$1 1/4 millions, a decline of \$1 million compared with the previous week.

The Felix Ellis price index based on the closing prices of twelve representative active local stocks declined to 189.89 showing a net loss of 1.12 compared with the close of the preceding week. Day-by-day his averages were: Nov. 9, 140.87, Nov. 10, 140.33, Nov. 11, 140.08, Nov. 12, 139.89.

The High and Low for 1947 were 155.82 and 123.88 respectively. The High for 1948 was 148.68 on February 12, while the low was 136.70 on October 19th.

Business Done

BANKS: H.K. Banks @ 1995, 1980, 1990, 1975.

INSURANCE: Unions @ 752 1/2, 750.

SHIPPING: H.K. & M. Steamboats @ 17 1/2.

DOCKS & GODOWNS: H.K. & K Wharves (Old) @ 135, 134; H.K. Docks @ 31 3/4, 31 1/2, 30 3/4, 30 1/4, 30 1/2, 30; China Providents @ 22, 21.80, 21.

HOTELS & LANDS: H.K. Hotels @ 14.80; Lands @ 72, 71; S'hai Lands @ 5.90.

UTILITIES: H.K. Trams @ 20 1/2; Star Ferries @ 135; China Lights Old @ 23.60, 23.40, 23.30, 23.40, 23, 22.40, 22, 22 1/2; New @ 21.70, 21.40; H.K. Electrics @ 39, 38.

INDUSTRIALS: Cements @ 41 1/2, 41 1/4, 41 1/2; Watsons old @ 60 1/2, 60, 59, 59 1/4; New @ 56 1/2, 55

STORES: China Entertainments @ 37.

COTTONS: Ewos @ 18.20.

WESTERN GERMANY'S CURRENCY REFORM.

In our issue of November 3 we published an essay by Mr. E. Kann, dealing with the principal factors of the Chinese currency reform which meanwhile has collapsed. By way of comparison the article briefly dealt also with the German currency reform scheme which the authorities there had put into force. Now Mr. Kann received a detailed description of the progress of the said German monetary reform, written by a German who openly was anti-Nazi and who lived for decades in Hongkong and China. Since 1940 he resides in Germany, where he had the opportunity to observe financial developments. The letter, which is quoted here verbatim, displays also the unfavorable aspects of the problem and ought to be of interest to our readers.

* * * *

Since my last letter the situation has entirely changed owing to the currency reform. Like everything in life this event had its two sides; the advantage of a currency with which one can purchase commodities in the Bizone and the French Zone, the disadvantage of the devaluation of the Reichsmark accounts to 10% of their former stand of which 5% were at the disposal of the creditor whilst the remaining 5% were blocked till 20 September 1948. As this time limit has expired, the 3 Military Governors issued a decree by which 70% of the value of blocked accounts has been wiped out whilst 20% will be credited to the free account (the first 5%) and 10% can be used for investments only. This means that the Reichsmark has been devalued to about 6.66% and that by the last decree the small investor is again most hard hit and the aged people who will now more than before become a public burden.

As in every country which has gone through a currency reform, here also prices have been soaring to an unexpected height and if the retailers will not listen to all the warnings issued by the authorities there will be trouble in the coming winter. We experience the same thing as in France, Italy, Austria etc., the shop windows are full of goods but the average person has simply not the money to buy with because wages and salaries are far behind prices. The wage stop ordinance has been rescinded a few days ago but there is already a widespread unrest in the working classes and if prices cannot be brought into relation with the income of the masses there will be difficulties. The trouble is that the manufacturers as well as the retailers have lost all sense for proportion and sharp calculation and with their low morale and business ethics, profiteer wherever they can in spite of very stringent law against usury etc.

In order to bring prices down particularly in the food sector fruit and vegetables are being imported

from neighbouring countries but unfortunately this has not helped appreciably. Textiles and shoes will also be imported and it looks as if the gentry of these trades had taken heed of the severe warning of the various authorities that heavy fines and closure of business will be imposed on offenders so that prices for these imported articles will be in line with world market prices and not about 3 times as high as they are at present. The housewives were the first to take a very strong stand against the high prices and the large food stores have taken heed and sell only varieties which they can obtain at reasonable figures, leaving the high priced fruit etc. to street vendors who do a good business—for the time being—with people who have no time to look around and wait in the shops. To give you an idea of food prices asked for by street vendors: Tomatoes DM (German Marks)—.45 per lb (500 grs), prunes—.60 p.lb, walnuts 2.50 p.lb, grapes 1.—p.lb, apples average —.50 p.lb, but good qualities —.70 p.lb, peaches (local) 1.60, p.lb, imported 3.—per box of 5 pcs (about 1 1/2 lbs.), Carrots and cabbage are fairly reasonable whilst beans cost about .80 p.lb. Potatoes are also double the price than before, costing 6.50 per 50 kg against 3.80 before the currency reform. The new potatoe price is too high and will have to be reduced as the working classes greatly complain in view of the excellent crop of which 1 1/2 million tons will be put in store for next spring and for which those farmers who will put aside certain quantities (but not more than 2 1/2 tons per farm) will receive DM 2.— per 50 kg advance, the rest being paid when called upon to deliver; prices will be fixed later. The farmers unfortunately have been also demoralised by the last years of dire need and hope to be able to sell their potatoes at prices of 10 — 12 marks per 50 kg. They will find out to their dismay that this time they will find no buyers as potatoes will be brought in from neighbouring countries which are only too glad to sell their surplus potatoes to us.

The income tax has been reduced recently but only for wage and lower salary earners who enjoyed a cut of about 30% whilst the higher salaries (up to 600 marks per month) are paying about 20% less tax than before; salaries of 1000 marks and more have no appreciable reduction (abt 10%). This reduction is being partly wiped out by a new ordinance of the Hessian Finance Ministry by which 6% church tax will be levied and deducted from the wages resp. salaries.

In spite of all these difficulties, production in the Bizone has been steadily rising since the currency reform and with the continuous influx of raw materials from foreign countries, bought with proceeds from exports and ERP funds it is to be hoped that this

THE FREE PORT OF HONG KONG

Hong Kong is a free port. Many people choose to interpret this to mean that there ought not to be any trading restrictions or any duties imposed on any imported commodities.

The term "Free Port" does not mean this. It means that in Hong Kong there is no general tariff and that there is no distinction between the duties levied on commodities which are imported and those on similar commodities which are manufactured in the Colony.

There are five commodities which are subject to duty. This duty is paid on importation, ex bond, in respect of commodities manufactured abroad and ex factory bonds where the goods are manufactured in the Colony. Except where imperial preference rates prevail, the rates are the same both for locally manufactured products and those imported.

The five commodities which are subject to customs and excise duty are as follows:-

- Liquors
- Tobacco
- Toilet preparations and Proprietary Medicines
- Hydrocarbon oils
- Aerated Waters

Commodities which include any of the above substances in their manufacture pay duty according to the percentage content of the dutiable commodity. For example, scent includes alcohol and therefore pays duty as a toilet preparation and also on its alcoholic content. Many paints, polishes and insecticides contain hydrocarbon oil and duty is levied on the percentage content of such oil.

fall and 1949 will see a still larger upward trend so that the western part of the country will get to its feet again.

The French Zone will be amalgamated with the Bizonal in the near future, probably 15 October. There is already a French Liaison Mission and the Cifcomex (Office du Commerce Extérieur) is to move from Baden-Baden to Frankfurt to be merged with JEIA (Joint Export Import Agency) but no definite date has been fixed yet. Export from the French Zone so far was practically 100% to France, whilst the Bizonal has concluded quite a number of trade agreements already, the latest being that with Egypt.

HONGKONG IMPORT REGULATIONS

Under the provisions of amendments to General Licence No. 1 published in the Government Gazette on August 27th, September 18th and October 8th, 1948, the position as regards Imports into the Colony is now as follows:

(1) All goods, originating in the countries stated below, EXCEPT —

<i>Butter, cheese, margarine, flour, rice and products, sugar, meat of all kinds, soap, tin, tinplate, coal, coke, cotton yarn, sulphate of ammonia, diamonds, gold, gunny bags, cotton linings and poplin, linen piece goods, lead, cutlery, whisky, beer, manufactured tobacco, glass plate and sheet, iron and steel.</i>	<i>May be imported from</i>	<i>All territories within the British Empire, including Mandated Territories (except Canada and Newfoundland); Iraq, Iceland, The Faroe Islands; Siam, Burma, French Indo-China, the Netherlands East Indies; the United States of America and the Republic of the Philippines.</i>
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(2) All goods, originating in the countries stated below, EXCEPT —
Coke, coke, cotton yarn and sugar.
May be imported from China and Macau.

Import Licences are required in all cases except as outlined in the provision above.

In addition, imports from countries outside the territories listed above (especially the countries in Europe outside the sterling area) generally also require an Exchange Permit or authorisation by the Exchange Control. These are issued by the Assistant Financial Secretary (Exchange Control), whose office is situated in Exchange Building (Grd. fl.), Des Voeux Rd., C. The Import Licensing Office of the I. & E. Department is situated in the same premises, for the convenience of the public.

Even when the importer has his own exchange or funds available in the country of origin, Exchange Control scrutiny is necessary before an Import Licence can be issued.

Restricted Imports

There are certain restricted imports which require the previous authorisation of the Department of Supplies, Trade and Industry (Mercantile Bank Building) before Import Licences can be granted, in addition to any exchange requirements, as above, which may be necessary. These include:—

- Food products generally, including those listed in (1) above; but with the exception of milk and milk products, biscuits and canned fish (provided they are not being imported from the United Kingdom)
- Building and constructional materials (such as structural steel, mild steel bars, wire and wire nails, cement, etc.)
- Coal and coke
- Cotton yarn
- Tin and tin plate

Imports from Japan

These are handled wholly by the Department of Supplies, Trade and Industry, which also issues the necessary Import Licences on behalf of the Superintendent of Imports & Exports.

Prohibited Imports

- Gold bars and gold coins
- Tin from anywhere except China
- Swiss watches from the United Kingdom (and the importation of British watches from the U.K. is allowed only in token quantities and when satisfactory evidence is produced that they are of 100% British manufacture.)

Jewellery

Approval of Exchange Control is necessary before Import Licences can be issued, except in the case of small quantities of bona fide personal jewellery, for which the I. & E. Department issues the Import Licence direct on application.

Rubber

Rubber, of whatever origin, can only be imported under special licence. Import from French Indo-China and Siam is only allowed on production of a Certificate of Origin and a British Consular Certificate.

In every case where rubber imported into the Colony is re-exported to a territory outside the Sterling area, a deposit of 100% of the exchange value will be demanded.

HONGKONG EXPORT REGULATIONS

— as at November 17, 1948 —

COUNTRY OF DESTINATION	COUNTRY OF ORIGIN	EXPORT LICENCE ON FORM	PERCENTAGE OF PROCEEDS TO BE SURRENDERED TO AUTHORISED BANK
U.S.A. & Possessions, Philippine Republic.	China, Macao, Hong Kong, Korea.	Form 2B (Yellow) in duplicate except for RESTRICTED exports when Form 2A (Green) in triplicate (Note 1)	NIL—except for exports on RESTRICTED list—(See Note 1).
French Indo-China	Any Country.	Form 2A (Green) in triplicate.	FULL PROCEEDS either (a) from a French Sterling account or (b) in HK\$ from an account in Hong Kong of a Bank in Indo-China.
Siam	Any Country.	Form 2A (Green) in triplicate.	FULL PROCEEDS either (a) from a Siamese Sterling Account or (b) in HK\$ from an account in Hong Kong of a Bank in Siam.
Korea, Macao	Any Country.	Form 2B (Yellow) in duplicate except for RESTRICTED exports when form 2A (Green) in triplicate (Note 1).	NIL—except RESTRICTED exports (Note 1) which must be submitted on form 2A (Green), to Exchange Controller, for prior approval.
China, Formosa, & Sterling Area countries.	Any Country.	NIL—except China exports (Note 2) when Form 2B (Yellow) in duplicate.	— — — —
All other countries.	Any Country.	Form 2A (Green) in triplicate.	FULL PROCEEDS in accordance with Bank of England procedure. This is always acceptable in sterling from an account in the U.K. in the name of a resident in a territory to which the goods are being exported. For other acceptable methods of payment enquire Exchange Controller (Phone 24840). Rules for restricted exports apply in cases where finance is arranged in U.S.
Japan	Special arrangement with Dept. Supplies, Trade & Industry.		

NOTE 1—RESTRICTED EXPORTS:-

Tin, Silver, Copper, Lead, and Wood oil, ginger in casks or jars. (Six restricted export commodities).

Exporters are permitted to use 75% of their f.o.b. value of tin, lead and silver; 80% of copper; 85% of wood oil; and 50% of ginger when the shipment is financed in United States currency.

NOTE 2—CHINA EXPORTS:-

Bristles, wood oil, cotton yarn, tea, rapeseed oil, tin, wolfram & antimony. China exports include these eight commodities whether originating in China or not. Applications must be supported by evidence of origin, i.e. a Chinese Certificate of Origin where articles are produced in China, otherwise such evidence of origin as Imports & Exports Dept. shall require.

Hongkong Exporting Industries

Following are values in HK\$ of eleven manufactured articles which are traditionally exported from the Colony, viz. Preserved Ginger, other Preserves, Soy Sauce, Canvas and Rubber Shoes, Electric Torches and Batteries, Rattan Furniture, Rope, Trunks and Suitcases, Lamps and Lampware, Hats & Caps, Umbrellas.

COMPARATIVE VALUES OF IMPORTS AND EXPORTS OF CERTAIN COMMODITIES MANUFACTURED IN HONGKONG

Year	Boots and Electric Shoes Torches & (Canvas & Flashlight Rubbers) Rattan Batteries Furniture											Trunks & Lamps & Hats & Umbrel-			
	Preserved Preserves	Ginger (excl. Ginger)	Soy	\$	\$	\$	\$	\$	Rope	Suitcases	Lampware	Hats Caps	\$	\$	\$
1939	2,795,171	705,173	559,128	8,035,431	5,279,121	785,931	832,298	1,028,689	326,059	1,085,380	418,650				
1946	372,650	3,715,949	142,167	3,106,910	8,321,295	973,849	721,830	2,150,347	665,019	1,519,512	77,965				
1947	3,341,437	5,655,165	944,863	9,915,147	17,374,179	1,892,514	986,908	3,195,095	4,356,721	1,243,668	2,980,905				
1948 (Jan-June)	3,888,289	2,946,568	1,041,910	9,457,857	5,484,076	1,243,889	457,814	1,359,558	1,389,942	1,685,421	3,486,004				
1948 (Estimate on basis first six months)	7,776,578	5,893,136	2,083,820	18,915,714	10,968,152	2,487,778	915,628	2,719,116	3,779,884	3,270,842	6,972,008				

HONGKONG INDUSTRIAL REPORT

Output and employment during October were generally on a higher level than during the preceding month. The textile industry is slowly receiving more orders from abroad and although profits are considerably reduced compared to the earlier part of the year the weavers, knitters and hosiery makers are not dissatisfied with the present conditions in their trade.

Many local industrialists are expecting an increase in orders after the British Industries Fair has got underway. Interest among factory owners remains high and participation at the B.I.F. will be strong. Hongkong's manufacturing industries can expect with good justification that overseas orders, particularly from Commonwealth countries, will be brisk as from next spring.

The local cotton spinning industry is expanding at surprising speed; every month one or more promoters appear and some of their plans are regularly realised. It is a conservative estimate to put the number of cotton spinning mills which will be in operation here before the end of 1949 at 9 or 10. Within a few more years the Colony will be one of the principal textile industry centres in the Far East. Almost all cotton mills are housed, or have been planned to be, in modern structures embodying latest designs. The same holds good for workers' dormitories, business and management premises.

The metal and hardware industry recorded fair to full production in October and some factories complain that the difficulty in obtaining raw materials prevents them from carrying out the many overseas orders. The charcoal iron industry here has had a very good time during this year and its products have gained appreciative markets abroad. Their further progress is assured but depends on the solution of the supply problem; large quantities of pig iron are necessary to keep the industry going and labour properly employed. Unfortunately, owing to recently declining deliveries from Australia the charcoal iron factories have been compelled to curtail output. Monthly requirements are several hundred tons of pig iron, one large factory alone consuming over 100 tons every month. The S.T. & I. Dept. regulated imports and distribution of pig iron which was shipped here from Australia, fixing the price to factories at \$240 per ton while the open market is charging around \$430. Lack of Australian imports have strained the resources of the open market which no longer can meet the factories' requirements. Partial idleness was the result and cancellation of foreign orders for charcoal iron.

A new large Chinese owned factory producing electric irons has started operation in October; element wire and plugs are imported from the U.K. The factory owners expect good sales to Far Eastern and African customers.

New Applications of Factories

During October a total of 33 applications for official registration was

received which came from the following:—7 printing presses, 4 engineering works, 4 shipyards (small boat builders and repairers of native craft), 3 metal ware factories, 4 weavers, 2 knitters, and each one furniture, flour and rice mill, leatherware, lime kiln, iron foundry, saw mill, electro-plating, printing type and laundry factory.

The Labour Commissioner had to refuse 3 applications for reasons of health and safety.

Factory Registrations

The total number of factories operating in the Colony as at the end of October was 1,146. This number includes, however, only those industrial establishments which were duly licensed while another 177 factories were waiting for the registration certificates to be issued by Government after they had sent in their applications.

Factories in Hongkong as at October 31, 1948:

	H.K.	K'loon	Total
APPLICATIONS received up to October 31 ..	386	1,172	1,558
cancelled	46	189	235
	340	983	1,323
received in October	11	22	33
cancelled in October	1	21	22
REGISTRATION CERTIFICATES issued in October	8	26	34
issued up to October 31 ..	294	852	1,146

TRADE UNION REGISTRATIONS

Registration of trade unions, at the Office of the Registrar of Trade Unions, is progressing with satisfactory speed. The second batch of registered trade unions has been announced, on October 27, aggregating 44. As at October 27, 63 trade unions were registered.

The 44 recently registered trade unions are the following:—

Hong Kong Naval Dockyard Chinese Employees Industrial Union; Hong Kong & Kowloon Rubber Workers General Union; Hong Kong & Kowloon Dairy Companies Chinese Employees Association; "Sai Yee" Junk Builders Association; Hong Kong General Union of Type-Printing Workmen; Hong Kong & Kowloon Riveters Union; Taikoo Dockyard Chinese Workers Union; Hong Kong & Kowloon Coal Merchants Association; Hong Kong & Kowloon Bamboo Scaffolding Workers Union (Tung-King); Hong Kong & Kowloon Dockyards and Wharves Carpenters General Union; Hong Kong & Kowloon Rice Workers Union (Tung-Hip); Hong Kong & Kowloon Painters, Sofa and Furniture Workers Union; Hong Kong Postal Workers Union; Hong Kong British Cigarette Co. Ltd. Chinese Workers Union; Hong Kong Glass Workers Union; Hong Kong & Kow-

loon Eating Shop Workers Union (Kung-On); Hong Kong & Kowloon Ship Builders and Repairers General Labour Union; Hong Kong & Kowloon Ferry Workers General Union; Hong Kong Jockey Club Chinese Employees Association; Hong Kong Fiddle Bird's Nest Workers Union (Hung-Shun); Hong Kong Government Medical Department Chinese Staff General Association; Hong Kong Urban Council Staff Association; Hong Kong & Kowloon Coolies General Union (Tung-Tak); The China Coast Navigation and Engineer Officers' Guild; Hong Kong Chinese Clerks Association; Hong Kong Stevedores Union (Chap-Yin); Hong Kong Building Work Carpenters Union; China Light & Power Co. Ltd. Chinese Employees Union; Hong Kong & Kowloon Shark's Fin Workers Union (Wah-Lok); Association of European Telecommunication Civil Servants; The Rice Merchants' Association of Hong Kong; Hong Kong Tramway Workers Union; Hong Kong & Kowloon Caulkers General Union (Fuk-Kwan); Hong Kong Telephone Co. Ltd. Chinese Workers Union; Shanghai Tailoring Merchants Association in Hong Kong & Kowloon; Hong Kong & Kowloon Hat Makers General Union; Hong Kong & Kowloon Departmental Store Staffs Association; Government, Armed Forces and Hospitals Chinese Workers Union; Hong Kong & Kowloon Egg Workers Union; Hong Kong & Kowloon Stone Masons General Union; Hong Kong & Kowloon Cafe Workers General Union; Cargo Supervisors Association; Kowloon Pig Laan Merchant's Association; Hong Kong Shark's Fin and Sea Products Merchants Association.

COTTON SPINNING POSITION IN JAPAN

At present cotton mill operation is being held down to a monthly output of 55,000 bales of yarn. The reason for this is the low supply of raw cotton; but seen the other way round, it is the result of insufficient export of yarn and piece goods.

Japan's cotton yarn production capacity is now about 100,000 bales a month; and if 60 per cent are earmarked for export, some 60,000 bales will be available for overseas markets. It appears however that recent sales volume is in the vicinity of only 22,000 bales per month. Thus, although the revolving dollar fund for cotton purchases may exist it cannot be properly utilized, and since there is already a large overdraft on raw cotton purchases, enough supply to boost operation cannot be expected. The industry therefore seems to have decided upon maintaining the 55,000 bales level in order to conserve stocks on hand until January or February next year. Total inventories as of August 31 amounted to a little less than 400,000 bales of raw cotton, so this production level can be kept up for some time.

The main reason for poor export results is the lack of purchasing power in foreign markets. Textiles are still scarce but it appears that money is scarcer.

Plant restoration is progressing fairly smoothly; installed spindles as of July 31 reached 3,259,000, so the target capacity of 4 million will probably be attained by the middle of next year.

Interim capitalization boosts for redemption of loans obtained for rehabilitation are showing excellent results. Sales of supplementary stocks are brisk despite the fairly high premiums demanded.

Increases in capital are resulting in a general raising of fixed asset value and loss of flexibility; but since the cotton industry has the advantage of considerable savings a portion of the rehabilitation costs can be written off

as operational expenses. A comparison with other industries reveals unexpectedly sound finances.

Moreover, there appears to have been some change in the views concerning "deconcentration," and it may be that, as advocated by the industry, composite operation within the textile field will be permitted. In this event the larger manufacturers will be enabled to maintain their favoured positions, and even if partitioning into two or three concerns takes place no irreparable damage will be inflicted since independent operation of "second" or dissociated companies is quite practicable.

The main problem therefore is that of cotton exports in the coming years. If a favourable growth in volume is seen, the industry will naturally show a marked change for the better.

Currently there is little or no production of superior goods suitable for export because quantity production of war material during the war resulted in the halting of technical improvement and deterioration of equipment. Air-raid damage to fine yarn plants and the lack of suitable raw materials are also deterrents to quality goods manufacture. Therefore currently the main products are coarse articles such as tarpaulin and heavy sheeting, mail bags, sailcloth, fire hoses, etc.; or shirt-suiting, tailor's lining, bisso and crash linen, and other fabricating material; and sewing machine thread, Japanese tatami matting thread, fishnet yarn, etc. Household linen, damask, handkerchief material, fine linen sheeting, and other products for export and capable of competing with Irish linen cannot easily be produced. But this situation will have to be speedily rectified by renewal of equipment, technological education and improvement of raw materials, etc.

The average monthly production of flax yarn in 1947 was 813,000 lbs. (988,000 lbs. if blended yarn is included). The output for April this year was 921,000 lbs. (1,079,000 lbs. included blended yarn). But these figures are only some 60 per cent of the average during the years 1934 to 1936. The average output of pure flax textiles last year was 600,000 sq. yds. per month; while the figure for April, last, stood at 737,000 sq. yds.

Ramie

Ramie processing ranks next in importance to flax. It is recorded that in 1896 the Nippon Senshi K.K. of Osaka purchased 2,100 ramie spindles from the English firm of Greenwood. The industry developed steadily from about the time of the first World War, and fishnet yarn, sewing machine thread, and twine made from this material were marketed. The last, in particular, proved a strong competitor of flax twine. Among the principal products are: fishnets, sewing machine thread, tatami thread, jofu cloth for domestic wear, shirting, bedding and cushion material, tablecloths, etc. Approximately half of the yarn output goes to fishnetting while the other half goes to capital goods production and clothing. But because of the fact that ramie textiles are not irreplaceable by other materials, their relatively high prices have hindered their development. During the War, military needs called for the manufacture of articles identical to those of flax. But since the greater portion of ramie came from China, the stoppage of imports has held up activities.

There were 7 ramie processing companies as of April 30, 1948. The installed spindles stood at 77,877 of which 65,260 were operable. The shortage of materials had reduced actual operation of 23,536 spindles, or 36 per cent of capacity.

The output for March, last, was 23,594 lbs. which is lower than the

Flax, Ramie, Hemp and Jute Industries of Japan

Flax, ramie, hemp and jute are the raw materials upon which Japan's hard and bast fibre industry is founded. Aside from flax which is available in Hokkaido, all other raw materials are imported items. The fabrication of hard fibre products in 1931 involved some 57 million lbs. of fibre yarn; the average annual output for the years 1934 to 1936 was roughly 77 million lbs., while production for 1947 became as low as 17.8 million lbs. The reasons for this sharp decline are diminution of facilities and shortage of raw materials.

Production by Materials

(In 1,000 lbs. in terms of yarn)

	1934-36	1947	1948
	Average	(April)	
Flax	6,808	11,857	1,079
Ramie	16,195	2,146	316
Hemp	11,490	2,321	3
Jute	42,156	1,500	249

Flax

The mainstay of Japan's hard fibre industry is the flax industry which, as of April 30, 1948, had a total of 119,120 spindles: 88,046 installed, of which 77,690 were operable. Of these latter the number actually in operation was only 54,614; so utilization was at some 70 per cent.

The Teikoku Sen-i K.K. and the Nippon Sen-i K.K. together are predominant in this field. Although Teikoku Sen-i operates 25 flax scutching plants in Hokkaido, Nippon Sen-i, which relied on Manchurian sources until the Surrender, has been deprived of its supply of raw materials and is now forced to purchase from Teikoku Sen-i. In the near future Nippon Sen-i will purchase five of Teikoku Sen-i's Hokkaido scutching plants.

Yamaki Sen-i has only one small scutching plant in Hokkaido, while Daishin Boshoku is supplied raw ma-

terials by Teikoku Sen-i, so these are insignificant.

Flax spinning in Japan was started in 1878 by the Hokkaido Seima K.K. which planned to utilize hemp and transplanted flax. Both the Omi Mashi K.K. and the Shimotsuke Seima K.K. which were founded at about this time (all three companies are the forerunners of Teikoku Sen-i) first operated on domestic hemp. But because this material was found wanting both in quality and quantity, a shift to flax was made, and later ramie was also added.

Inasmuch as there was no market source of flax in Japan, the flax spinning companies encouraged cultivation for later direct collection and purchase. This is a feature of the flax industry in Japan resulting from the circumstances surrounding the introduction and later development of flax cultivation. Flax was brought into Hokkaido from Europe some 60 years ago and its cultivation was promoted by the flax processors under their guidance and protection. The low economic standards of the Hokkaido farmers prevented their engaging in the scutching of flax by mechanical means, while climatic conditions were also unfavourable for their giving up much time to this work. The activity naturally became one of the functions of the manufacturers.

Of the roughly 130,000 farm households in Hokkaido, 90,000 engage in flax growing. The area planted with flax in 1947 totalled 30,000 chobu and the quantity of flax straw harvested was some 88 million lbs. Flax fibre output depends upon the flax harvest for the previous year, but the production for 1947 was 18,068,000 lbs. At the scutching plants, flax fibre is sorted into scutched line and scutched tow, while further selection is made at the spinneries. The properly graded fibres are processed in suitable machines to form various flax yarns from coarse (4s) to fine (100s).

average per month output of 51,848 lbs. of last year. Hemp yarn output for March, last, was 224,030 lbs., showing a slight increase over last year's monthly average of 173,605 lbs.

Based on the operable spindles as of April, last, the ramie industry needs some 20 million lbs. of ramie fibre per year, but since this amount is not obtainable, hemp is being used as a substitute. In pre-war years 80 per cent (25 million lbs.) of the raw ramie was imported from China, while the remaining 20 per cent was domestic produce (5 million lbs.). The greater part of the home-grown ramie is cultivated in Kyushu, in the prefectures of Oita, Miyazaki and Kagoshima. But since Japan-grown ramie is far from sufficient, hemp from Korea, Manchuria and North China is being eagerly sought as a substitute.

Hemp imports last year amounted to 1,981,335 lbs., mainly from the United States.

Last year's production of ramie textiles (including blended goods) amounted to 3,108,000 sq. yds.

Hemp

Currently, hemp is being fed into ramie spindles; but this is a material long used in Japan for clothing (*jofu*) by hand spinning methods, and it is utilized for tatami matting twine, cores for Japanese footwear thongs, and cordage, etc., the products of small-scale industries. 80 per cent of Japan's hemp comes from Tochigi prefecture; and it is estimated that 80 per cent of that district's output goes to the making of footwear thongs. Therefore it is figured that only some 12 per cent of Japan's entire output is manufactured into textiles. Last year's output of hemp textiles (including blended goods) was 1,190,000 sq. yds. Ramie production for spinning stood at 1,400,000 lbs., while hemp totalled 83,330 lbs.

Jute

The main products utilizing jute are Hessian Cloth, used for packing, and gunny bags for holding sugar and grains. Yarn for powder fuses, electric cables, binding thread etc. are also made from this material. Because of low production, export cotton piece goods are being wrapped in valuable cotton material. Jute spindles as of April 30, 1948 was 19,148, all operable; but the number in actual use was only 2,175, indicating 11 per cent utilization. Last year's production was 582,000 sq. yds. of jute cloth (including blended goods) and 1,500,000 lbs. of jute yarn. Current capacity calls for 3 million lbs. of jute per year. The main source of jute is India; but because of import difficulties, the main materials last year were Japan-grown jute and native bamboo.

In utilizing bamboo fibres, the nodes are removed from long-jointed bamboo which are then thoroughly crushed

June production indices of cotton yarn and fabrics (based on the 1931-32 average) stood at 24.8 and 29.0, respectively, but since the combined total average for that month was 41.5, it can be taken that recovery is slow in comparison with other industries. The post-war production peaks are 27.3 for yarn in April this year and 29.7 for cloth in May.

The post-war recovery rate was fairly rapid for both yarn and cloth up through 1947, but since entering into this year there has been a dropping off in the increment. Average monthly output of yarn for instance: against the 3,620,000 lbs. for 1945, the 10,650,000 lbs. for 1946, and the 22,190,000 lbs. for 1947 the average for the first seven months of this year has steadied at 23,500,000 lbs. With cotton cloth the average monthly figures were: 4,585,000 sq. yds. for 1945, 20,141,000 sq. yds. for 1946, and 55,189,000 sq. yds. for 1947; and the average for the first seven months of this year comes out to 72,002,000 sq. yds. Average monthly production during pre-war years 1930-34 was 96,494,000 lbs. of yarn and 270,404,000 sq. yds. of cloth.

The reason for the slackening of the rate of increase in output is the poor prospects concerning future imports of raw cotton. Despite the granting of the U.S.\$60 million cotton loan and the establishment of the US\$150 million revolving fund there has been a stoppage since April of raw cotton shipments from the United States; the small supplies that have arrived are from India and Egypt. The total amount of raw cotton held in stock by the various cotton manufacturers therefore dwindled by 23,880,000 lbs. from the inventoried 73,640,000 lbs. in January to 49,700,000 lbs. as of May, last; and in order to conserve the remainder the manufacturers have curtailed operation by 40 or 45 per cent.

Post-war importation of raw cotton began with the arrival in June 1946 of 21,700 bales on board the "Ernest Gibson" from the United States, and the aggregate for that year amounted to 704,710 bales. In the following year 29,857 bales were imported for the first time from India; then since February this year, shipments have been arriving from Egypt.

During the first six months of this year 172,527 bales from the United States, 6,780 bales from India, and 7,300 bales from Egypt brought up the

and boiled in caustic soda for about three hours to remove impurities. The fibres are then put three or four times through a softener and oiled to enhance spinning qualities. Binding twine and gunny bags can be produced from this material.

Japan-grown jute must be renovated each year with seeds from Taiwan which were available last year but these are unobtainable this year. However, import of jute fibre totalling some 7,000 bales (2,800,000 lbs.) is scheduled; and already 3,500 bales are on hand.

raw cotton imports to total 186,607 bales. On the other hand, consumption of raw cotton during the first five months of this year was about 750,000 bales, so stocks as of the end of May totalled 282,678 bales, or a little more than two months' supply.

In February 1947, an interim goal of 4 million spindles was indicated by SCAP for the restoration of the cotton industry; and by last August the spindle head had increased to 3,318,608 by some 1,313,000 or 65 per cent over the 2,005,000 in 1945 at the end of the War. The total loomage as of May this year was 168,619 units, an increase of 47,406 or 39 per cent over the 121,213 units at the War's end.

The restoration goal of 4 million spindles is set for accomplishment by 10 established companies aggregating 3,665,000 spindles, while the remaining 334,000 are due for installation by new enterprises. But in either case progress is poor because of shortages in materials and funds which run into an estimated Yen 4,800 million. The materials bottleneck is steadily narrowing because plant restoration has progressed from easy repairs to hard; and with new installation, although machinery production capacity is rated at 70,000 spindles per month, the actual output is about 40,000. And since export orders must be filled, the actual available amount falls short of 300,000 spindles a year. Machinery makers are also suffering from lack of materials and funds.

Post-war export of cotton yarn and piece goods: Against the pre-war 1930-34 averages of 25,105,000 lbs. of yarn and 2,199,493,000 sq. yds. of cloth, the figures for 1947 were: 24,282,000 lbs. and 391,383,000 sq. yds. respectively. The recent export volumes as compared with pre-war are 97 per cent in yarn and only 18 per cent in cloth.

The main reason for poor results is that the majority of consumer nations lack U.S. dollar funds for trade settlements and are therefore finding it difficult to import from Japan. But since the cross-rate conditions imposed on pound sterling areas have been eased recently, there should be a steady improvement in export of cotton piece goods. Starting with the recent order for 135 million sq. yds. of cloth from the Netherlands East Indies, the export situation has taken a turn for the better.

But apart from the shortage of dollar funds in the purchasing nations, the development of the cotton industry in China and India must be given due consideration. The former Japanese plants in China have been nationalized and restoration is being rushed. India is also actively expanding its plant capacity by importation of spinning equipment and looms. Since the principal markets for cotton goods are in the Orient and the Southwest Pacific area, the growth of the cotton industry in these two countries bears watching. The shortage of U.S. dollar funds in these markets is proof of retarded economic recovery from the disruptions caused by the War. Another adverse factor is political instability not only in China but also in the Netherlands East Indies, Malaya and Burma.

SHIPPING REVIEW

GREAT PROGRESS IN BRITISH SHIPBUILDING

The satisfactory progress made in the rehabilitation of Britain's war-ravaged merchant fleet is indicated by the latest Ministry of Transport statistics which show that the fleet, including all vessels of 500 tons gross and over but excluding foreign-owned tonnage on bareboat charter, stood at 18,974,000 tons gross at June 30 last. This compares with 18,608,000 tons gross on September 3, 1939—the day war was declared.

The dry cargo tonnage (15,212,000 tons) is still below its pre-war level, but the tanker fleet tonnage (3,762,000 tons) exceeds it by over half-a-million tons. This position has been achieved within three years of the end of World War II in spite of serious and vexatious shortages in supplies of all kinds ranging from shipbuilding steel to minor but essential items of ships' furniture and fittings. These shortages have delayed the delivery of ships,

kept the shipyards working considerably below maximum capacity and much hampered the shipbuilders already harassed by the rising costs of materials. However, in spite of uncertain delivery dates and increased prices orders, both foreign and home, continue to flow in steadily.

It is estimated that Britain's merchant fleet is still short by some 3,000,000 tons, necessitated by the expansion of post-war trade and the need for replacing worn-out tonnage. The Admiralty statistics of merchant shipbuilding show that shipping under construction in the United Kingdom (all vessels of 100 tons gross and over) totalled 2,014,000 tons at the end of June last. A record total of 173,000 tons was laid down during that month, 95,000 tons of which were for export. Of the 9,000 tons of shipping completed during the same period 48,000 tons were for export.

The statistics for vessels of 1,600 gross tons and over show that no fewer than 40,000 tons of new tankers were laid down during June. Over a third of all the vessels under construction in the United Kingdom at the end of that month were tankers—500,000 tons of which 200,000 tons were for foreign owners. The keen demand for this class of vessel is indicated by the delivery dates for some of them which are not scheduled before 1952.

In the dry cargo section, the tonnage under construction reached 1,404,000 tons gross at the end of June, of which 419,000 tons were for export. The tonnage laid down during the month—121,000 tons—included 51,000 tons for export and of the total of vessels completed—78,000 tons—over half (43,000 tons) was for foreign account.

Cargo Liners And Oil Tankers

There is now a positive trend towards the closing down of intensive

THE COAL POSITION IN JAPAN

With the special assistance of SCAP the coal production goal of 30 million metric tons for the 1947 fiscal year was 98 per cent accomplished with an actual output of 29,335,400 tons. With the current fiscal year (April 1948 to March 1949) and the high production goal of 36 million tons, a poor start was made during the first few months; and it was only in June that 97 per cent accomplishment was attained. The first quarter-year therefore ended with 7,992,000 tons produced, or 92.9 per cent of the planned total of 8,602,000 tons, leaving a deficit of 610,000 tons. There was a slight hitch in July production; accomplishment dropping to 95 per cent, and bringing up the cumulative deficit to 742,000 tons. Accomplishment for the first ten days of August was 96.8 per cent; but during the middle ten days the poor showing of Hokkaido mines (76.3 per cent) brought down the overall result to only 87.1 per cent of the goal.

Although the current production is much better than the 22 million tons output for the 1945 fiscal year, it is about half the peak output of 57,310,000 tons for the 1940 fiscal year; while efficiency which was highest in 1933 at 19 tons per registered miner has slumped by more than two-thirds. In other words, current production is being maintained at the cost of increased labour.

In addition to poor output, outlook for imports is gloomy: North China including the Kailan Mine are in the hands of the Communists; Manchuria can no longer produce the required amount because facilities and equipment have been removed; and, the Hongeby mines in French Indo-China are yet under reconstruction. Therefore, small quantities of high grade

Year and Month	Out-put (In 1,000 m.t.)	Wor-Output (In 1,000 Worker)	Monthly	
			1,000 (tons)	1,000 (tons)
1931	27,987	154	10	
1933	32,524	137	19	
1934	35,925	167	18	
1940 (fiscal)	57,309	338	15	
1944 (fiscal)	49,335	416	10	
1945 (fiscal)	22,335	281	5.5	
1946 (fiscal)	22,523	379	5.5	
1947 (fiscal)	29,335	465	5.7	
April, 1948	2,575	470	5.5	
May, 1948	2,629	476	5.4	
June, 1948	2,788	479	5.9	
July, 1948	2,712	472	5.7	

coal are coming from the United States, Canada, Saghalien, etc., and the total amount imported since war-end aggregate 550,000 tons. But, if a balance is struck in coal trade, there is an excess of exports over imports because a large amount of coal has been shipped to Korea.

The average consumption of coal from 1930 through 1934 was 33,980,000 tons per year. Therefore with the subsequent increase in population, it is estimated that some 42 million tons are now required. If even household requirements are to be met, the total would be about 50 million tons. It will therefore be seen that even should this fiscal year's goal of 36 million tons be attained, the supply situation would remain critical. Taking the third quarter-year minimum requirements for fiscal 1946 for example, the actual supplies were 74 per cent for the Government Railways; 52 per cent for electricity; 32 per cent for coke and gas; 33 per cent for iron and steel; 14 per cent for shipbuilding and machinery; 44 per cent for ceramic enter-

prises; 65 per cent for fertilizer; 37 per cent for chemicals; and, 28 per cent for textiles.

The results in the 1946 fiscal year were generally fair: 99 per cent delivered on the whole, while industries received 110 per cent of allocations. But in the 1947 fiscal year the overall results averaged 93 per cent, while industries were only supplied 91 per cent. But the actual amounts increased over those of the previous year; and all branches of enterprise, with the exception of salt manufacture, received increased quotas. Industrial users were allocated nearly double the 1946 fiscal year amounts.

With the distribution plan for the current fiscal year planned output of 36 million tons, priority is being given to transportation in addition to iron and steel, and electricity which were given preferential allocations in the 1947 fiscal year. It also appears that increased supply to salt-making has been permitted. The main problem in distribution however is transportation during the second half-year period. It is all right to obtain further increases in coal output, but it will be necessary to watch out for slackening off of deliveries as winter approaches and haulage of farm produce, charcoal and firewood encroaches upon rail and shipping capacity. With labour trouble in the Government Railways and shortage of rolling stock, increased coal production will not be enough to ensure adequate supply.

Distribution for the first quarter of the current fiscal year amounted to 8,354,000 tons or 88 per cent of the planned allocations totalling 9,475,000 tons. Special purposes however such as Occupation Forces use and export were supplied 107 and 103 per cent respectively.

building of passenger ships. The order book of Harland and Wolff Limited, one of the largest shipbuilding firms in the United Kingdom, is now confined almost exclusively to cargo liners and oil tankers. At present the construction of the latter class of vessel has assumed the proportions of a minor shipbuilding boom, both overseas and British owners having placed very extensive orders. This is due more to the expansion of the world demand for oil than to an inadequate shipbuilding policy for this highly specialised type of cargo carrier.

At the end of June there were building in United Kingdom yards 61 oil tankers of 1,000 gross tons and over. During the past few weeks there have been further large orders for this class of vessel from Norwegian owners and the latest customers are the Overseas Tankship Corporation, of New York, who have just placed a twenty-million dollar contract for seven tankers with north-east coast shipbuilders.

It is impossible to chronicle all the interesting vessels completed in United Kingdom yards in recent months, but among the ships in which the builders have taken particular satisfaction are

the graceful El Malek Foad (King Fuad), a 3,750 tons gross 20-knot turbine-passenger and cargo vessel delivered by John I. Thornycroft and Co. Ltd. to the Khedivial Mail Line, of Alexandria, Egypt. She is for service between Marseilles and Alexandria and is fitted with specially designed four-bladed screws which in conjunction with the fine lines of her hull form have done much to eliminate vibration, especially when working astern.

A vessel of striking appearance is the 7,500 gross ton steamship Silverbrier recently placed in service by the Silver Lines Limited, London. This is mainly due to her two streamlined funnels of unusual shape, the forward one of which is a dummy and houses the chartroom, wheelhouse and captain's quarters. The whole of the bridge front is plated in, slope and curvature being given in accordance with the shape of the funnels. The Silverbrier was built by Joseph L. Thompson and Sons Ltd., Sunderland. She will shortly be joined by a sister vessel, the Silverplane.

The 12,600 gross ton oil tanker Hyalina, built by Swan, Hunter and Wigham Richardson Limited, Wallsend,

for the Anglo-Saxon Petroleum Co. Ltd., is a sister vessel to the Felicina commissioned last year. These two vessels are notable for their turbo-electric propelling machinery (capable of developing 13,000 shaft horse-power continuously—the greatest power ever borne by a single propeller shaft in a merchant ship) and for the fact that they are arranged to burn cracked bitumen as a boiler fuel.

The volume of merchant shipping undergoing repair, conversion or reconversion in United Kingdom shipyards and ports at the end of June stood at 3,064,000 tons gross. This is the lowest level since the end of World War II and is largely explained by the fact that the extensive programme of reconditioning of derequisitioned liners is now ending. The reconversion of these vessels after years of trooping service has been an expensive undertaking—the actual cost in some cases even exceeding the original price of the vessel.

Thus it will be realised that despite the difficulties encountered, advancement is being made in every section of activity connected with Britain's post-war shipbuilding industry.

HONGKONG SHIPPING REPORT FOR OCTOBER 1948

ARRIVALS

FLAG	Ocean Steamers		River Steamers		TOTAL		Cargo Passengers		Passengers		TOTAL
	No.	Tonnage	No.	Tonnage	No.	Tonnage	River	River	Ocean	Steamers	
British	106	254,740	176	121,001	282	375,741	4,975	25,122	10,124	—	35,246
American	21	94,740	—	—	21	94,740	—	—	—	82	82
Chinese	44	50,968	163	38,765	207	89,733	3,890	16,721	2,712	—	19,433
Danish	8	29,134	—	—	8	29,134	—	—	1,180	1,180	—
Dutch	13	66,039	—	—	13	66,039	—	—	6,884	6,884	—
French	2	14,750	—	—	2	14,750	—	—	—	762	762
Greek	4	16,010	—	—	4	16,010	—	—	—	—	—
Norwegian	18	54,251	—	—	18	54,251	—	—	—	1,683	1,683
Panamanian	5	20,964	—	—	5	20,964	—	—	—	—	—
Philippine	9	11,662	—	—	9	11,662	—	—	33	33	—
Portuguese	3	806	—	—	3	806	—	—	—	—	—
U.S.S.R.	1	41	—	—	1	41	—	—	—	—	—
Swedish	4	10,872	—	—	4	10,872	—	—	19	19	19
Total Foreign	132	370,237	163	58,765	295	409,002	3,890	16,721	13,355	—	30,076
Total	238	€24,977	339	159,766	577	184,743	8,865	41,843	23,479	65,322	—

DEPARTURES

FLAG	Ocean Steamers		River Steamers		TOTAL		Cargo Passengers		Passengers		TOTAL
	No.	Tonnage	No.	Tonnage	No.	Tonnage	River	River	Ocean	Steamers	
British	109	279,152	179	122,094	288	401,246	2,159	€4,032	8,304	—	42,336
American	20	94,293	—	—	20	94,293	—	—	85	85	85
Chinese	43	49,555	167	38,861	210	88,416	3,411	14,340	1,315	—	15,655
Danish	7	27,029	—	—	7	27,029	—	—	124	—	724
Dutch	16	77,572	—	—	16	77,572	—	—	—	5,505	5,505
French	2	14,750	—	—	2	14,750	—	—	630	630	—
Greek	4	16,010	—	—	4	16,010	—	—	—	—	—
Norwegian	20	58,576	—	—	20	58,576	—	—	1,771	1,771	—
Panamanian	6	21,327	—	—	6	21,327	—	—	13	13	—
Philippine	11	15,573	—	—	11	15,573	—	—	31	31	—
Portuguese	3	806	—	—	3	806	—	—	24	24	—
U.S.S.R.	1	41	—	—	1	41	—	—	—	—	—
Swedish	5	13,278	—	—	5	13,278	—	—	7	7	7
Total Foreign	138	388,810	167	38,861	305	427,671	3,411	14,340	10,105	—	24,445
Total	247	667,962	346	160,955	593	828,917	5,570	48,372	18,409	—	66,781

SHIPPING STATISTICS OF HONGKONG

For The First Ten Months of the Year 1948

TONNAGES AND PASSENGERS INWARD AND OUTWARD

During the first ten months of 1948 the total tonnage of ocean ships aggregated 13,428,369, and the total tonnage of river ships amounted to 2,281,580, making a grand total of 15,709,949.

The largest arrival and departure of ocean tonnage was recorded in May. The largest inward and outward tonnage of river shipping was recorded in October.

The largest number of passengers on ocean ships arrived and departed in March. The largest number of river boat passengers arrived and left in October.

Total passengers, ocean, inward and outward: 437,312; river, inward and outward: 737,087, grand total passengers: 1,174,399.

MONTHS	OCEAN STEAMERS TONNAGE		RIVER STEAMERS TONNAGE		OCEAN PASSENGERS		RIVER PASSENGERS	
	IN	OUT	IN	OUT	IN	OUT	IN	OUT
January	619,031	592,021	104,352	105,135	23,906	19,782	31,011	32,460
February	543,329	557,534	95,228	96,246	13,880	11,190	29,900	31,100
March	715,538	716,003	105,981	105,523	32,389	25,729	40,005	42,383
April	651,324	606,514	123,037	123,127	28,088	20,911	37,847	44,687
May	743,222	772,700	111,132	111,497	22,511	25,139	39,978	38,402
June	690,510	711,658	105,690	102,430	18,115	16,917	34,706	32,962
July	686,393	671,442	86,775	90,518	23,617	20,651	31,546	34,102
August	734,692	736,436	124,808	124,892	25,163	19,046	37,944	35,544
September	712,108	674,975	121,685	122,802	24,078	24,412	34,558	38,337
October	624,977	667,962	159,766	160,955	23,479	18,409	41,843	48,372
First 10 months	6,721,124	6,707,245	1,138,455	1,143,125	235,126	202,186	358,738	378,349

COMMERCIAL CARGOES

(OCEAN STEAMERS)

Month	Discharged	Year—1947		Month	Discharged	Year—1948	
		Loaded	TOTAL			Loaded	TOTAL
January	190,450	83,357	273,807	January	180,544	86,534	267,078
February	184,771	54,857	239,628	February	202,807	76,542	279,349
March	249,662	77,219	326,881	March	241,574	81,980	323,554
April	166,681	70,573	237,254	April	224,985	68,215	293,200
May	226,870	75,561	302,431	May	220,097	97,379	317,475
June	161,393	65,529	226,922	June	189,681	93,571	283,252
July	203,281	61,953	265,234	July	158,262	91,612	249,874
August	177,964	62,307	240,271	August	222,296	94,220	316,516
September	143,527	73,849	217,376	September	160,429	98,162	258,591
October	194,688	74,289	268,977	October	163,350	57,988	221,338
November	192,578	83,570	276,148	November	—	—	—
December	158,760	69,498	228,258	December	—	—	—
TOTAL	2,250,625	852,562	3,103,187		1,864,015	846,202	2,810,227
MONTHLY AVERAGES	187,552	71,047	258,599		186,401	84,620	281,022

SHIPPING REVIEW FOR OCTOBER

The figures for commercial cargo on ocean going ships loaded and discharged are usually indicative of the trend of business of the Colony. As the U.S. West Coast maritime strike is still on (and shows as yet no signs of conciliation) the decrease in tonnage of cargo loaded on and discharged from American ships was conspicuous and accounts for the decline in the October figures as compared both with September 1948 and October 1947. Imports, by weight, from other countries were heavier in October but exports from Hongkong—as far as tonnage of cargo is concerned—were greatly reduced. In fact, the October

loadings were the lowest for the current year and the second lowest for the last 20 months. China's export decline is vividly reflected in these low figures for loadings of cargo at Hongkong during October.

Commercial cargo (excluding H.M. Forces and H.K. Government stores) inward and outward during first 10 months of 1948:—

Cargo discharged (imports)	Highest	Lowest
	Tons	Tons
(March)	241,574	158,262
(July)	—	—

Cargo loaded (exports)	Highest	Lowest
	Tons	Tons
(Sept.)	98,162	57,988
(Oct.)	—	—

Cargo discharged in October: 163,350 tons.

Comparisons for commercial cargo on ocean going ships:—

October returns reveal that cargo discharged was 1.82% higher than in September, and 16.09% lower than in October 1947.

Cargo loaded in October was 40.93% lower than in September 1948, and 21.94% lower than in October 1947.

The 10 months average for cargo discharged in 1948 is 0.61% lower than the 1947 monthly average; and the average per month of this year for cargo loaded is 19.11% higher than the average for 1947.

Cargo on River Steamers

Imports and exports as carried on river steamers (between the Colony and South China ports as well as Macao) during October showed some progress when compared with the figures of the preceding 2 months, but are still lower than the average for the first 6 months of 1948. Shipments from here to South China are declining while imports from South China and Macao are well maintained. To judge by the tonnage figures for cargo carried on river steamers, the volume of Chinese (and Macao) exports is considerably higher than the Hongkong exports to South China.

The number of river ships now on the run between here and Canton and Macao is out of proportion with the tonnage of cargo carried. While passenger traffic is encouraging, the earnings of the river shipping companies cannot be expected to be satisfactory unless cargo shipments improve. Many shipping firms are operating without profit, others continue to lose.

River cargo unloaded here in October 8,865 tons, cargo loaded 5,570 tons, making a total of 14,435 tons.

River cargo returns for first ten months of 1948:-

	Discharged tons	Loaded tons
January/March 1948	26,671	23,405
April/June	26,518	26,591
July/September ...	26,124	19,736
Total 9 months ..	79,313	69,732

Averages for first 6 months of 1948:- cargo discharged 8,864.8 tons per month, and 8,333 tons for cargo loaded per month.

River cargo figures for the months July to October (in tons):-

	Discharged	Loaded
July	10,504	9,282
August	7,617	7,055
September	8,003	3,399
October	8,865	5,570

Ocean and River Shipping

Ocean shipping returns for October were much reduced as a result of the continued American West Coast strike; against September the decline amount to 12.24% for arrivals of ocean ships, and to 1.04% for departures. Compared with the 10 months average of this year (viz. arrivals 672,112 tons, departures 670,724 tons) the October figures are lower, by 7.01% for arrivals, and by 0.41% for departures.

Passenger figures for October also show declines against the preceding month, viz 2½% for inward passengers,

and 24.59% for outward bound ocean passengers.

River shipping figures were the highest for the year both for tonnage and for passengers carried. There is an intense competition on all river runs, especially to Macao and Canton, with fares and freight charges lower than ever. In relation to the tonnage employed on the river runs the number of passengers carried during October, in spite of having established a record, falls far short of the earning requirements of shipping companies.

Against September, the returns in October show the following increases:- passengers arrived 21.08%; passengers departed 26.18%.

Shipping by Flags

The share of British shipping in the Colony's October returns was 40.76%; although British ships are always far in the lead, the lower percentage of U.S. ships arriving here in October improved the relative position of the Union Jack. The further drop in the Chinese shipping activities is illustrated in the current returns which show that the Chinese flag, previously occupying third place, has now dropped to fifth place.

Following are the percentages of British and foreign ships in the October returns for arrivals:-

British	40.76%
U.S.	15.16%
Netherlands	10.57%
Norwegian	8.68%
Chinese	8.15%
Danish	4.66%
Panamanian	3.35%
Greek	2.57%
French	2.36%
Philippine	1.86%
Swedish	1.74%

River ships are sailing only under the British or the Chinese flag. Most river steamers are British owned. The British flag accounted for 75¾% of river shipping in October with the Chinese flag accounting for the remaining 24¼%.

Bunker Coal & Oil

More and more ships are bunkering here oil, the quantity of bunker oil gradually advancing as the number of ocean ships converted to oil burning increases.

Bunker coal and oil in October:-

	Coal tons	Oil tons
Ocean steamers	8,781	15,299
River steamers	1,047	1,043
Total	9,828	16,347

TRADING JUNKS AND LAUNCHES

(in foreign trade, under 60 tons each)

	Inward	Outward
<i>Cargo:</i>		
Junks	27,859	5,311
Launches ...	193½	461
	28,052½	5,772
<i>Vessels:</i>		
Junks	110,969	112,749
Launches ...	3,943	3,966
	114,912	116,715

Passengers in Junks and launches in October: Arrived 1,468; Departed 5,628.

Recorded cargo carried in and out of the Colony on junks and motor launches during October against the preceding month showed a decline for imports and an improvement for exports. The junk traffic remains in the doldrums owing to the decline in China trade.

For the first 10 months of 1948 total imports by junks and launches amounted to 292,526 tons, and exports amounted to 63,570 tons. Imports, by weight, were almost five times the volume of exports from the Colony to Macao and South China ports as served by trading junks and launches.

The figures for passengers inward and outward by junks are open to doubt; month by month the number of passengers leaving exceeds the number of those arriving. While it appears a fact that the population of Hongkong in 1948 has decreased as against 1947, the decline is only fractional. It has been confirmed by official sources that Chinese passengers arriving here by junks are not always recorded as a result of evasionary practices by junk owners who carry more than the permitted maximum number of passengers.

During October 1,125 junks were licensed, of which number 12 were equipped with motors; and an additional 41 launches and motor boats were also licensed. Most of the licences issued during the month were renewals for fishing vessels.

Hongkong Marine Department maintains at present four stations for regulating junk traffic, viz. at Aberdeen and Shaukiwan, on the Island, at Yau-mati, in Kowloon, and at Tai Po Kau, in the New Territories. The establishment of 1 or 2 more stations is under consideration; one on Cheung Chau Island and one or two on Lantao Island, viz. Tai O, and Sai Kung.

HONGKONG AVIATION REPORT FOR OCTOBER AND FOR THE FIRST TEN MONTHS OF 1948.

Air Traffic Returns for the first ten months of 1948:—

Month	Civil Air Craft Numbers IN	Passengers Numbers IN	Passengers Numbers OUT	Mail kilogr. IN	Mail kilogr. OUT	Freight kilogr. IN	Freight kilogr. OUT
January	384	6,275	5,491	8,029	8,975	24,443	138,081
February	396	5,754	5,970	9,266	9,982	31,448	132,576
March	514	7,627	7,479	12,748	11,465	62,039	164,948
April	577	9,602	9,053	14,643	14,713	45,512	78,417
May	369	11,125	14,862	14,255	14,862	37,016	68,444
June	640	10,351	8,927	14,749	14,753	22,906	90,030
July	653	10,062	9,584	14,632	14,725	28,976	81,851
August	609	8,190	9,301	16,464	15,693	40,617	73,216
September	578	9,333	9,919	14,269	14,472	37,368	57,434
October	611	11,571	10,988	14,833	14,346	57,217	106,254
Total 10 months	5,631	89,890	91,554	133,888	133,986	389,542	991,251

Totals for the first ten months of 1948:—passenger 181,444; mail 267,874 kgs; freight 1,378.8 tons.

CIVIL AVIATION IN HONG KONG

The Director of Civil Aviation of Hongkong reports on the developments of civil aviation in the Colony for the fiscal year of April 1, 1947 to March 31, 1948 as follows:—

Operations

The continued development of civil aviation and the establishment of new routes is reflected in the traffic figures

for the Colony's airport. Thirteen airline companies used the airport as a regular calling point and 113,326 passengers were carried. There were 7,309 aircraft movements in the year. The amount of freight and mail conveyed increased from 328 tons in 1946/47 to 1,560 tons in 1947/48. Of the companies regularly calling at Hong Kong four are British, two Chinese, three Philippine, and one each of America,

Franc, Norway and Siam. The service to United Kingdom operated by the British Overseas Airways Corporation over a route covering 8,263 miles was increased to twice a week and the time slightly reduced to 5½ days. Flying boats are employed for this service but about three times a month it is possible to reach Europe in 3½ days by a Norwegian company using landplanes. The Chinese air transport companies continued to carry the bulk of the traffic in and out of the Colony and handled 50% of the passengers. Fares remain high in comparison with those prevailing in Europe and America but there were considerable reductions. For example the cost of a journey to Manila which was \$800 at the beginning of the year is now \$300 by a superior type of aircraft and the journey to Shanghai costs \$380 instead of \$700. With effect from 1st February, 1948 the airport landing fees have been increased by 100% and accommodation fees by 50% on the standard rate in 1937. This increase of airport fees is still low in comparison with those levied in other countries.

Airfield

Although the airport at Kai Tak is regularly used by modern 4-engined aircraft, the opinion that it is inadequate for the larger types, particularly in poor weather conditions, is unchanged. A site for a new airport which will conform with the standards of the International Civil Aviation Organization has been found but work has not yet begun. The facilities of Kai Tak for the handling of passengers were much improved by the construction of a temporary building including a restaurant and waiting rooms and the facilities for aircraft were bettered by the construction of hardstanding and the installation of additional navigational aids. Owing to the difficult approaches the airfield is not open at night but emergency lighting is available and was used twice with success during the year.

After the reoccupation of the Colony the Royal Air Force manned the Air Traffic Control services but demobili-

JUNKS & LAUNCHES

Traffic Figures for first ten months of 1948

	ARRIVALS		DEPARTURES		
	Tonnage of Vessels Launches	Junks	Tonnage of Vessels Launches	Junks	
January	5,132	117,447	January	5,493	117,862
February	4,163	85,351	February	3,694	87,947
March	4,826	117,421	March	4,767	121,495
April	4,903	109,263	April	4,555	115,489
May	3,732	103,048	May	3,506	99,938
June	3,406	99,248	June	3,717	105,725
July	3,649	104,249	July	3,857	103,931
August	4,489	114,862	August	3,865	113,221
September	4,035	111,071	September	4,060	114,417
October	3,943	110,969	October	3,966	112,749
Total	47,104	1,190,355	Total	41,389	1,092,776
Tonnage of Cargo					
January	149½	37,426	January	428	11,206
February	38	25,003	February	421	10,531
March	142½	31,994	March	402	6,797
April	162½	29,165	April	140½	4,937
May	278	26,963	May	326	4,691
June	65½	26,410	June	157	4,085
July	101	29,502	July	346	2,910
August	268	32,190	August	80	6,476
September	257½	30,354	September	291¾	3,423
October	193½	27,855	October	461	5,311
Total	1,655½	290,871	Total	3,063¾	60,507

sation before it was possible to obtain qualified civil staff caused considerable difficulties and led to restrictions in the hours of operation of the airfield. By the end of the year this position has been rectified and the majority of the services are now staffed by civilian employees.

Aviation relations with China were placed on a mutually satisfactory basis by a bi-lateral agreement between China and the United Kingdom which was negotiated in Nanking by representatives from London and Hong Kong. This agreement was signed on the 23rd July and gave British airlines the right to use four of China's airports. As a result of this Hong Kong Airways Ltd. were designated to operate routes to Shanghai and Canton and the first British scheduled service to China arrived in Shanghai on the 2nd December. A similar agreement with the Philippines was initialled in Manila in December and signed on January 7th in Manila.

The long established flying training school of a local commercial enterprise operated a fleet of four light aircraft and 18 locally trained pupils gained licences.

COMPARATIVE STATISTICS FOR AIRCRAFT BY NATIONALITY

— For the fiscal year of 1947/1948 —

Number, tonnage, cargo, passengers and crew of aircraft of each nation arriving at and departing from Hongkong.

ARRIVING

NATIONALITY OF AIRCRAFT	Aircraft	Passenger	Crew	Goods and		Aircraft Tonnage
				Excess Luggage	Mails	
British	880	11,698	4,401	73.1	58.2	15,526.3
Chinese	1,771	27,260	6,714	96.0	54.8	30,540.7
Philippine	603	6,053	3,350	209.6	4.2	10,324.2
French	49	1,009	226	2.4	1.6	726.4
Norwegian	30	486	330	20.7	—	888.0
Siamese	162	1,093	696	4.2	1.1	2,395.2
American	111	1,085	999	19.4	4.4	3,285.6
Others	56	128	217	1.9	—	737.1
Total	3,662	58,812	16,933	427.3	124.3	64,423.5

DEPARTING

NATIONALITY OF AIRCRAFT	Aircraft	Passenger	Crew	Goods and		Aircraft Tonnage
				Excess Luggage	Mails	
British	874	11,364	4,386	99.8	50.5	15,431.0
Chinese	1,770	28,663	6,703	669.5	41.3	30,511.1
Philippine	602	10,297	3,339	61.2	8.7	10,310.5
French	49	867	226	2.8	1.4	726.4
Norwegian	29	379	319	3.6	—	858.4
Siamese	157	1,443	667	53.4	—	2,327.2
American	110	1,262	990	6.5	—	3,256.0
Others	56	239	217	10.2	—	737.1
Total	3,647	54,514	16,847	907.0	101.4	64,157.7

MONTHLY AVERAGES OF 1947 FOR ARRIVALS & DEPARTURES OF PASSENGERS, FREIGHT & CIVIL AIRCRAFT AT HONGKONG AIRPORT

Aircraft:

Arrivals	229	Arrivals	3,634	Freight: (Kilogrs.)	
		Departures	3,179	Imports	Exports
Total	457	Total	6,813	Total	70,471

HONGKONG AIRPORT

ARRIVALS FOR OCTOBER, 1948

Total number of aircraft: 611

Countries	Passengers	Mail	Freight
United Kingdom - via Bangkok & Ports	109	2,485	3,598
Europe via Bangkok & Ports	56	143	2,760
Middle East via Bangkok & Ports	13	54	580
Calcutta via Bangkok & China	162	458	1,989
Rangoon via Bangkok & China	51	73	30
Singapore (Direct)	154	2,357	772
Bangkok (Direct)	251	952	861
French Indo China	365	342	2,444
Macao	24	—	—
Philippines	1,089	261	6,928
Japan via Shanghai & Ports	44	523	2,270
U.S.A. via Manila & Ports	90	632	8,599
Honolulu via Manila & Ports	21	13	195
Australia (transhipment)	—	—	334
Shanghai (Direct)	1,561	2,470	3,945
Canton (Direct)	5,120	2,893	527
China via China Ports	2,461	1,177	21,385
	11,571	14,833	57,217

DEPARTURES FOR OCTOBER, 1948

Total number of aircraft: 611

Countries	Passengers	Mail	Freight
United Kingdom via Bangkok & Ports	58	2,523	763
Europe via Bangkok & Ports	55	21	119
Middle East via Bangkok & Ports	13	—	1,335
Calcutta via Bangkok & China	68	5	1,495
Rangoon via Bangkok & China	48	—	532
Singapore	190	1,733	1,428
Bangkok	254	350	4,576
Saigon (Direct)	184	327	939
Macao	57	—	—
Philippines (Direct)	1,434	309	4,461
Japan via Shanghai & Ports	69	477	919
U.S.A. via Manila & Ports	213	1,374	5,864
Honolulu via Manila	70	47	1,172
Australia	8	313	57
Shanghai	1,476	1,776	4,348
Canton (Direct)	4,500	3,255	13,046
China via China Ports	2,291	1,836	65,200
	10,988	14,346	106,254

FINANCIAL, COMMERCIAL & INDUSTRIAL DEVELOPMENTS IN THE PHILIPPINES

United States Government expenditures in the Republic of the Philippines have contributed heavily to the national income during the current year, and continue to wipe out the unfavourable commodity trade balance. Figures for actual Peso currency circulation for the first quarter 1948, indicate that circulation increased from 678,000,000 pesos to 738,000,000 pesos during the first 3 months of the year.

The trend toward disbursement of dollar exchange for consumer goods continues, with import trade steadily gaining in value. Consumer spending, however, appears to be weakening somewhat, against strong inventories, full supply channels, and lower up-country purchasing power.

Inflationary tendencies in the United States have been reflected in Philippine markets for a wide range of American products, particularly food-

stuffs, certain wearing apparel, and building materials. More stringent controls covering flour, galvanized-iron sheets, pipe, and sanitary supplies became operative early in the current year, while substantial quantities of these products were commandeered by the Philippine Relief and Trade Rehabilitation Administration (PRATRA) from private dealers. In other lines new schedules of ceiling prices were issued by PRATRA.

Higher Living Costs

Prices of most consumer goods appeared to have been stabilized by March, although slight declines occurred in textile quotations and in prices of several locally produced foodstuffs, except rice. Steadily increasing rice prices have prevailed throughout most of 1948, in both wholesale and retail

markets, and to combat the rapid rise new price ceilings were established in July. Higher rice prices have persisted notwithstanding the largest crop since Liberation for the 1947-48 season, supplemented by substantial allocations from IEFC and by other purchases and loans. Increased consumption of rice, resulting from postwar prosperity and from increased population, as well as inadequate distribution and speculative activities, have contributed to the price rise.

Meat costs also continue high, ranging from 9 to 10 times prewar levels for beef prices and approximating 7 times prewar prices for pork. Although numbers of hogs and poultry are on the increase, the cattle population is still far below prewar.

Aside from rice and meats, the mid-year food situation presented few problems. Vegetables, especially tubers, were available in abundant quantities, and the corn crop was expected to approach prewar levels. A general increase in the use of flour has served to offset somewhat shortages in rice. Fish supplies have improved noticeably. Sugar is plentiful on the domestic market, and consumption is believed to be greater than ever before.

HONGKONG IMPORTS & EXPORTS BY AIR —For the month of September 1948—

Imports

	Quan. Kilos	Value \$		Exports	Quan. Kilos	Value \$
United Kingdom	124	6,840		United Kingdom	1,184	431,991
Australia	33	2,343		Australia	36	2,815
Canada	—	—		Canada	—	—
Ceylon	50	14,262		Ceylon	27	16,410
East Africa	—	—		India	—	—
India	—	—		Malaya (British)	—	—
Malaya (British)	34	1,580		New Zealand	12	17,350
New Zealand	490	367,981		South Africa	—	—
North Borneo	—	—		West Indies	—	—
South Africa	—	—		Br. Empire, Other	—	—
West Africa	15	2,515		Belgium	—	—
West Indies	12	156		Burma	—	—
Br. Empire, Other	20	917		Central America	—	—
Belgium	46	20,150		China, North	—	—
Burma	—	—		Middle	530	—
Central America	—	—		" South	—	—
China, North	750	27,893		South	3,239	19,570
" Middle	13	530		Cuba	—	—
" South	25,532	249,033		Czechoslovakia	—	—
Cuba	—	—		Egypt	—	—
Egypt	139	7,425		Denmark	—	—
Denmark	—	—		France	7	814
France	4	100		French Indo-China	—	—
French Indo-China	101	712		Germany	224	45,560
Germany	—	—		Holland	3	231
Holland	1	24		Italy	56	300
Iraq	—	—		Japan	3	100
Italy	—	—		Netherlands E. Indies	—	—
Japan	65	4,983		Norway	—	—
Norway	—	—		Philippines	13	14,580
Netherlands E. Indies	11	2,400		Siam	2	21,196
Philippines	405	15,843		South America	—	—
Siam	4,061	226,389		Sweden	10	4,045
South America	2	408		Switzerland	1,859	1,359,651
Sweden	—	—		U.S.A.	4,562	1,314,258
Switzerland	9	3,035		Total	11,237	3,248,871
Syria	2	48		Total British Empire	1,259	468,566
U.S.A.	1,292	350,572		Total Foreign	9,978	2,780,305
Others	22	495				
Total	33,233	1,306,634				
Total British Empire	778	396,594				
Total Foreign	32,455	910,040				

Sugar & Abaca Production

Sugar production for the 1947-48 season is expected to be about 400,000 short tons. As of July 14, 1948, shipments of raw sugar to the United States mounted to 152,341 long tons. Expectations in the trade were that no more than 220,000 tons from the 1947-48 crop would move to the United States during 1948, leaving approximately 180,000 tons for domestic consumption. Local uses for sugar have increased materially, production of soft drinks having reached an all-time record, and with heavy flour imports consumption of cakes and sweetened breads is greater than formerly.

Bailings of inspected abaca fiber in the first half of 1948 totalled 362,246 bales of 278.3 pounds compared with 381,584 bales in the first 6 months of 1947. Because of overstripping, production in Davao has been on the decline. With increases in non-Davao areas, however, over-all 1948 production is expected to approximate the 796,000 bales of fiber inspected in 1947. Exports in the first 6 months of 1948 totalled 365,398 bales only slightly more than the 364,748 bales exported in the first half of 1947. After reaching an all-time high in May, abaca prices have since receded.

Copra & Coconut

Tentative estimates place 1948 production of copra at 800,000 long tons, as compared with approximately 1,100,000 tons produced in 1947. The lower current output is largely the

result of typhoon damage in the autumn of 1947. Exports in 1948 are expected to total approximately 625,000 or about a third less than last year. About 75,000 tons probably will be processed into coconut oil for export, and 100,000 tons of copra may be consumed locally in the production of edible oil, soap, vegetable lard, and margarine. In May copra prices reached an all-time high, but copra, as well as abaca, prices receded in June and July.

Rules and regulations for grading and standardization of Philippine copra were established by Commerce Administrative Order No. 2 issued in January 1948. Under terms of the order all copra moving into international markets will be inspected and sampled, classified and graded, certificates of inspection and standards being issued by officials of the Division of Standards, Department of Commerce and Industry.

Production of desiccated coconut in 1948 is unofficially estimated at 55,000 to 60,000 long tons, an amount considerably greater than ever before. Although factory operations were retarded by a shortage of fresh nuts during the first part of the year, the supply situation is improving, and is expected to be adequate for desiccators' requirements in the second half of 1948.

Gold & Base Metal Output

One of the larger gold mines approximated its capacity output in March, and the four mines in operation during the first quarter of 1948 milled 136,922 tons of ore, in contrast to an average quarterly production of all Philippine gold mines in 1940 of 378,000 tons. Rehabilitation of other mines is not complete, reopening reportedly being deferred until the price of gold increases, or operating costs are reduced. Most of the gold produced is a low-grade bullion sold in Manila to small Chinese refiners.

The largest producer of Chrome is shipping refractory chrome ore at an average of approximately 22,000 tons per month, but rehabilitation of other mines has been delayed by lack of funds. Only one Manganese mine is in operation. It is understood that the last of the Copper ore accumulated during the war at the Lepanto copper mine in Luzon was shipped in 1947, providing, in part, funds for rehabilitation. The first unit of an extraction plant at the mine was scheduled for preliminary operation in May 1948, and it was hoped, with additional equipment, to reach a daily production of 500 tons before the end of the year.

Coal & Petroleum

With continued active production of coal at the Government's mine in Cebu (output having reached more than 1,000 tons a day) the Philippine Government is attempting to find export outlets for a potential surplus

production. Railroads, former consumers of coal, have converted to fuel oil, and the Manila Gas Co., also an important prewar consumer, has been abandoned.

In March 1948, the Far East Oil Development Co. was reorganized as the Philippine Oil Development Co. Recently an increase from 4,000,000 to 10,000,000 pesos in its capital stock was authorized in order to give stronger backing to the company's application for oil leases now under consideration by the Government's Oil Commission. In addition to its holdings in Cebu and on the Bondoc Peninsula, southern Luzon, the company has applied for leases in Leyte and Panay, and hopes to explore more than 1,000,000 acres on a 25-year lease. Reportedly the firm has offered the Government a 25 percent participation in the proposed authorized capital, and has suggested that, when justified by oil reserves, it will establish and operate a refinery.

Textile, Cement, Paper, Machine Tool Factories

The National Development Co.'s textile mill produced 62,000 pounds of yarn and 1,643,000 yards of woven cloth in the first quarter of 1948. Activities were hampered by a strike of nearly a month's duration, but operating losses were more than offset by profits on continuing trade in Japanese textiles. Location of the Government's second textile mill at Narvacan in Ilocos Sur Province, northwestern Luzon, has been determined upon. All of the equipment is on hand.

The Cebu Portland Cement Co.'s production continues at approximately the 1947 rate of 12,000 bags a day. Work is progressing on construction of a rotary kiln which is expected to double the plant's capacity by October 1948.

Installation of a Government paper mill is under way on the site of a plant erected by the Japanese and burned when they left. Basic equipment was salvaged, and additional machinery arrived from the United States in April 1949. It is planned to produce 20 tons per day of kraft paper from abaca waste.

Machine tools received by the Government as Japanese reparations are

to be used in a proposed machine shop for parts and castings, located on Engineer Island, and for ship-repair facilities which will be gradually rehabilitated.

Both imports and exports in the first quarter of 1948 reached higher levels than in any average quarter for any previous year in the country's history. Average quarterly imports in 1947 were valued at 255,675,000 pesos, and average quarterly exports at 154,774,000 pesos. The visible trade deficit in the first quarter of 1948, although considerably below that in the first quarter of 1947, was higher than the average quarterly trade deficit last year.

Increases in import trade occurred chiefly in food items, including meats, fish, rice and flour. Imports of vegetables were more than treble. Cigarette imports were exceptionally high, and there were important increases in arrivals of petroleum products. For the great majority of metal products, however (including many of the country's most vital needs for rehabilitation) the upward trend in imports was only moderate. Imports of electrical machinery and appliances also increased very little, and arrivals of motortrucks and of pharmaceuticals decreased.

In the first quarter of 1948 the United States supplied 84 percent of total Philippine imports. Of the remainder, China, with 3.8 percent, and Canada, Ecuador, and the Netherlands Indies with about 1.5 percent each, were the principal sources of supply.

Export Produce

Coconut products continued to comprise the bulk of export trade, accounting for 76 percent of the total export value in the first quarter of 1948. Copra shipments alone were valued at 98,000,000 pesos, compared with 84,000,000 pesos in the first 3 months of 1947, although the amount of copra exported in 1948 was less. Postwar development of the desiccated coconut industry has been very marked, and exports in the first quarter were valued at 18,000,000 pesos, compared with an average quarterly value of 2,000,000 pesos before the war. Sugar exports at 11,000,000 pesos were roughly 40 percent of the 1939-40 quarterly average, and shipments of tobacco and lumber products were

PHILIPPINE FOREIGN TRADE

Month	(In 1,000 pesos)		Exports	
	1948	1947	1948	1947
January	91,465	101,338	77,290	20,609
February	108,417	62,432	64,500	23,644
March	125,094	112,143	50,465	36,018
Total	324,976	275,913	192,255	85,271

NEW DEVELOPMENTS IN SYNTHETIC TEXTILE FIBRES

The still unfinished search for a nomenclature for synthetic fibres is merely one of the signs which mark the rayon industry as a young and lively industry still in its growing years. The search is accompanied by controversies which expand in range with every important technical innovation; and nobody knows where it will end. It advanced a stage at the conference of the International Standards Organisation at Buxton in June, when the British Rayon Federation urged without success that "rayon" should be adopted as a standard term for all manmade fibres. It was finally agreed merely that there should be a generic name for all synthetic fibres. But the name is still to be found.

For the moment the language of synthetic fibres is undergoing a process not of unification but of fissure.

very low. Abaca exports, valued at 18,000,000 pesos, were higher than the 1947 quarterly average.

The United States share of total Philippine export trade amounted to 58 percent. A little more than 5 percent, each, went to Japan and France.

Japan Trade

A policy of strict control of trade between the Philippines and Japan until the peace treaty is concluded was formally adopted by the Government on August 16, 1948. The action endorsed a recommendation made by the Secretary of Commerce that, for the time being, trade be resumed by dealing with Japan through SCAP, with the Philippine Government exercising controls which would protect the interests of Philippine economy with regard to the volume and categories of articles that will be allowed to come in from Japan and be exported to Japan.

Foreign Business Men's Problems

Some apprehension on the part of resident Foreign business interests arose during early months of the current year over certain legislative proposals, such as the import-control bill, central-bank bill, native-employment bill, and other measures considered "nationalistic" in character. The bill to nationalize labour and most of the bills regulating the practice of certain professions were vetoed. The central-bank and import-control bill were signed on June 15 and 30, respectively.

Other sources of concern to Foreign elements in the Philippines included a Supreme Court decision which denied aliens (presently other than Americans) the right to acquire commercial, industrial, or residential land, and also activities on the part of the Philippine Government (particularly activities of PRATRA) affecting the control and distribution of scarce commodities.

In the United States it has reached the point at which cellulose acetate yarns and fibres have claimed a new generic name of their own, "estron." By a new series of definitions adopted by the American Society for Testing Materials in June, the term "rayon" is confined to fibres and filaments of regenerated cellulose. Fibres and filaments "composed of one or more esters of cellulose" cease to be rayon, and become "estron"; these are the acetate fibres, but there seems also to be some doubt whether the new synthetic fibre now in course of development, "Terylene," would by this definition be an "estron" fibre or not; for it begins the manufacturing process as an ester, but is afterwards polymerised. But "Terylene" is a British, not an American, innovation, and unless the term "estron" makes a quick recovery from its unpromising start the likelihood of its adoption for British fibres is dim. The principal British manufacturers of cellulose acetate materials, British Celanese, are disposed to be content with "rayon" and with their own trade mark. British shoppers have accepted "nylon" as a separate classification (in so far as they are able to buy nylon at all) but this does not mean that their receptivity to new words is endless. For the purposes of this article the term "rayon" is used, with all proper diffidence, generically, and under cover of it if the attempt is made to discuss not only the familiar cellulosic fibres but also the synthetic fibres with which the British public has still only a slight acquaintance — whether nylons, polyesters, or proteins.

Not only is rayon an expanding industry, it is also a changing one. A series of technical innovations which were bottled up by the war years has been brought near to fruition, and it is hardly possible that the technical pattern of the industry should for long remain static; processes, and the uses of the product, assume a different relative importance. These changes are occurring in a period of abnormal trading conditions, when demand has been high, when the slow postwar recovery of the German and Japanese industries has artificially limited supply, and when the natural fibres (cotton and wool) have reached extremely high prices. New enterprises, the exploration of new markets and new uses, and the planning of expansion all press for attention at a time when the demand for the existing standard products is abnormally hard to satisfy. The natural optimism of the rayon trade does not conceal the fact that the total problem they present—how to plan the trading and production policy of the future—is a difficult problem to solve. This was illustrated a few weeks ago when the decision of Courtaulds to postpone the plan for a viscose fibre factory at Dundee became known. That decision was pre-

sumably influenced by the high costs of construction. It was offset to some extent, no doubt, by measures to expand further the production of viscose staple at the company's factory in North Wales. But the company in explaining the decision, referred to "word conditions," and it is probably relevant that the American rayon industry has not lately shown an unlimited confidence in the prospects of expansion in the market for rayon staple.

The modest attitude at present of important sections of the American rayon industry towards the prospects of future expansion is worthy of study. American Viscose Corporation, the principal producers of rayon staple in the United States, recently shelved a scheme to build a new rayon staple plant at Radford, Virginia where land was bought two or three years ago. In this decision also the high cost of building and of machinery played a part. American Viscose prefer to expand production by improvements to existing plant, which have already achieved appreciable increases for a moderate outlay. Their attitude is the more interesting in that the present demand for rayon staple in the United States greatly exceeds supply; a grey market in the resale of yarn and staple is carried on at prices well above those charged by the producers, and users of staple have approached the United States Government to complain that the volume of production is too small. The producers take the view that the expansion plans already in hand may prove sufficient to meet the demand. The calculation is necessarily uncertain, because a part of the present demand is for rayon as a cheaper alternative to cotton. This is not accepted as a permanent trading factor by the established rayon yarn and staple producers, who discourage direct competition with cotton. But if the price of cotton falls, the total American demand for rayon will suffer, and foreign suppliers would be among the first to feel the reduction.

Considerations of this kind induce restraint, but they need not induce pessimism. In fact the British rayon industry has increased its production of rayon yarn (filament) steadily, and its production of rayon staple rapidly; and further increases are in prospect. Production of rayon yarn, which averaged 8,500,000 lb. a month in 1938, has been above 11,000,000 lb. in each month this year; in June it reached 12,600,000 lb.—the highest figure yet recorded, and 26 per cent higher than in June, 1947. Monthly production of rayon staple averaged only 2,800,000 lb. a month in 1938, but by 1946 the monthly average had risen to 5,900,000 lb. Last year it rose further to 7,000,000 lb. The next substantial increase is expected in December, when the expansion of capacity should begin to make itself felt. By the autumn of 1949, according to a trade estimate,

monthly output of rayon staple may rise to more than 13,000,000 lb., and in 1950 it will be between five and six times the production of 1938. As prospects appear at the moment, the largest consumer of this output will be the Lancashire spinning and weaving industry, working for the most part on spinning and weaving machines originally designed for cotton. Production of rayon yarn (filament) will not expand at the same rate; the main increases now planned are unlikely to take effect before 1950.

The bulk of the increased production of staple fibre is likely to come from the Courtaulds plants at Greenfield, in North Wales, to which reference has already been made. In the production of acetate staple, however, British Celanese are also preparing to expand, and extensions to their works at Spordon are in progress. Acetate staple was relatively neglected during the war; the utility programme required acetate rayon in yarn. A certain amount of acetate staple was produced, but was used to the extent of 30 per cent in mixtures with viscose staple. The results of this largely accidental fact may now prove commercially interesting. The mixture was found to have qualities of its own; in particular, attractive dyeing qualities and good resistance to creasing. Promising experiments are now being made with 50 per cent mixtures on the some lines. The higher price of acetate staple (33d. a pound, as against 16.5d for viscose staple) must limit for the present the scale on which sales of acetate staple can expand; but the prospects for acetate staple are not dull.

As production expands, attention can presumably be given to uses of rayon which have not yet been exploited. One probable field for expansion is the woollen and worsted industry, which already uses considerable quantities of cotton—cotton yarn for warps, and cotton linters for mixing in the yarn. The extent to which rayon can be substituted depends in the short run, on the price of cotton. In addition, there are further possibilities for the substitution of rayon for a modest proportion of the wool used in the woollen and

worsted industry; these may expand as techniques develop and the properties of the rayon fibres are improved.

The industrial uses of rayon appear also not to have been fully explored. At present the main industrial consumption is of rayon of coarse denier for tyre cloths; and this can be expected to grow as the supply of the special yarns concerned is increased. Other uses, it is fair to assume, would have been exploited more thoroughly before now if the rayon producers had not been working in a general atmosphere of excessive demand and inadequate supply.

Both nylon yarn and nylon staple may have a large part to play in the development of industrial uses for synthetic fibres, and there is room for experiment in the mixture of nylon staple with other fibres. The immediate interest is, however, in the prospects of expanding the supply of nylon yarn. Production is now starting at the new factory of British Nylon Spinners at Pontypool. Since 1941 the company has been producing yarn at Coventry, and since 1942 at Stowmarket; the two together have lately been producing yarn at the rate of 1,000,000 lbs. a year. The company's total production should now begin to expand, and by the end of next year (when the Pontypool plant should be in full operation) it is expected to reach the rate of 10,000,000 lb. a year. Hosiery will continue, no doubt, to be the largest use for nylon, but other fabrics are in preparation. The development of lightweight worsted materials with a reinforcement of nylon is reaching an advanced stage; the worsted yarn can be doubled with nylon filament, or it can be spun round a nylon core.

Imperial Chemical Industries are concerned in the development of two new fibres of particular interest. "Ardil," a protein fibre for which the warmth and resilience of wool is claimed, is being produced in small quantities at the ICI works at Ardeer, so that it is already known to the textile trade. It originated before the war in a programme of research undertaken to find new uses for the

primary products of colonial countries; the starting material of "Ardil" is the protein in groundnuts, which is extracted after the expression of the groundnut oil and before the remaining carbohydrate is converted into cattle-feed. The first filaments were produced in 1938, but further plans were held up by the war. "Ardil" makes a soft yarn; mixed with a stronger and harder-wearing fibre, it should make fabrics with qualities which have not previously been produced in this country from synthetic materials. The company's production plans indicate confidence; it is intended to set up a plant at Dumfries to make 10,000 tons a year. The customary difficulties which surround new industrial construction operate in this case also, and it is not likely that production at Dumfries will start before 1950. Until then, only the "pilot" quantities produced at Ardeer will be available.

The newest textile fibre to have reached an advanced stage of development in this country, "Terylene," has been described as the first truly synthetic fibre—in the sense that the starting material is not merely adapted, as in the cellulosic fibres, but entirely reconstructed—to have been evolved in Britain. Its theoretical origin can be traced to the work of Dr. W. H. Carothers, the Du Pont chemist who evolved nylon. Carothers, after examining the polyamides and the polyesters, chose a polyamide as the starting material of nylon. Mr J. R. Whinfield, of the Calico Printers' Association, examined the polyesters further and found one (derived from the condensation of ethylene glycol with terephthalic acid) with suitable fibre-forming properties. The work on "Terylene" has since been taken over by ICI, and much work has by now been done in exploring the qualities of the fibre and in making industrially efficient the processes necessary to its production—and in particular, the intermediate chemical processes. Great versatility is claimed for "Terylene," with other valuable properties. Some years' work will be needed before it can be produced in commercial quantities.

